Car production
Korea takes a gamble in Europe
Page 13

UK recovery
Time to put policy in neutral
Samuel Brittan, Page 12

Document highways
Xerox's digital dream comes closer
Page 10

Russia's stock markets
Lots of exchanges, not many shares
Page 2

FINANCIAL TIMES

Europe's Business Newspaper THURSDAY APRIL 28 1994 D8523A

Brussels calls for liberalisation of EU mobile telecoms

The European Commission called for the full liberalisation of EU mobile telecommunications in a move aimed at overcoming fragmentation and consolidating Europe's place in the world market. The Brussels appeal is the first step towards the EU goal of total telecommunications liberalisation by 1998. It is contained in a green paper adopted by the Commission yesterday after two years of research. Page 14

IBM to sell technology to rival: International Business Machines of the US is to sell microprocessor chips at the core of its future mainframe and parallel computer products to rival Hitachi of Japan. Page 15

$1bn boost for US high-tech challenge: The US is expected to announce a $1bn package to fund the development and manufacture of flat panel displays, such as those used in portable computers. Page 14

Hata to announce hobbled cabinet: Japanese prime minister Tsutomu Hata is expected today to announce the weakest minority cabinet in post-war history. The Social Democratic party left his coalition, leaving it 56 seats short of a majority. Page 4

Russia warms to Nato partnership: General Vladimir Zhurbenko, deputy head of the Russian general staff, will visit the military headquarters of Nato near Brussels amid speculation that his country is about to soften its attitude to co-operation with the alliance. Page 2

Solidarity plans strikes: Poland's Solidarity trade union plans nationwide 24-hour strikes today in support of an end to wage controls in state industries. Page 2

UK and Argentina plan oil talks: Britain and Argentina are to hold talks in July on joint oil exploration in waters surrounding the Falkland Islands. Page 6

Bayer rises 18%: German chemicals group Bayer reported first-quarter pre-tax profits up by 18 per cent to DM755m ($444m), reflecting the impact of extensive cost-cutting measures as well as an increase in all business sectors. Page 16

Williams makes cash call: Williams Holdings shares fell 9p to 379p as the industrial conglomerate called on shareholders for £267m ($389.8m) to carry it through the next raft of acquisitions. Page 16; Lex, Page 14

Scandinavian Airlines System said the sale of its two biggest non-core business units, SAS Leisure and SAS Service Partner, to European buyers was well advanced. Page 15

Venezuelan policy under fire: The administration of Venezuelan president Rafael Caldera is under question following the resignation of central bank president Ruth de Krivoy. Page 6

Easing of US banking laws expected: Measures to allow US banks to open branches freely outside their home states could become law next month following the passage of an inter-state banking law by the Senate. Page 6

German repo rate cut: The prospect of a decisive decoupling of US and European interest rates was improved by a cut in the German repo rate to 5.47 per cent, more than most commentators had expected. Currencies, Page 32; Lex, Page 14

Call to Berlusconi delayed: The expected call to Silvio Berlusconi to form Italy's government was delayed amid fears of a conflict of interest over the media magnate's Fininvest empire and a row over allocating ministerial posts. Page 14

Offer for Lasmo expected: Enterprise Oil is expected to move on rival UK oil explorer Lasmo this week following a statement that it was considering an offer for the company. Any approach is expected to be rebuffed by Lasmo. Page 15; Lex, Page 14

Kia considers supply deal: Kia Motors of South Korea is considering supplying Ford of the US and Mazda of Japan, its two largest shareholders, with its Sportage four-wheel-drive sports utility vehicle. Page 19

Lion Nathan 42% ahead: New Zealand brewing group Lion Nathan reported a 42.2 per cent rise in interim tax-paid profits to NZ$113m (US$65m), helped by an improved contribution from its Australian interests. Page 19

Curb on shipbuilding aid sought: The world's leading shipbuilding nations will meet in Paris next month to try to reach agreement on curbing international subsidies for the industry. Page 7

India seeks highway investment: India is offering incentives to private foreign and domestic companies to invest $4.7bn in 27 projects to construct bypass roads, bridges and expressways in 16 states. Page 7

STOCK MARKET INDICES

FT-SE 100:	3,150.0	(+24.7)
Yield	3.84	
FT-SE Eurotrack 100	1,471.83	(+6.91)
FT-SE-A All-Share	1,590.23	(+0.7%)
Nikkei	19,729.15	(+100.22)

LONDON MONEY

3-mo Interbank	5¼%	(same)
Liffe long gilt future:	Jun106¾	(Jun106¾)

NORTH SEA OIL (Argus)

Brent 15-day (Jun)	$15.38	(15.60)

GOLD

London	$374.40	(373.70)

STERLING

London:		
$	1.5066	(1.5015)
DM	2.52	(2.5226)
FFr	8.6544	(8.6599)
SFr	2.1489	(2.1535)
Y	154.847	(154.542)
£ Index	80.5	(same)

Tokyo close Y 102.68

The New York markets were closed yesterday

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$16	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft 185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lw25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Finland	FM14	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00
France	FFr9.00	Kuwait	Fils625	Poland	Zl 32,000	Tunisia	Din1.500
Germany	DM3.50	Lebanon	US$1.50	Portugal	Esc225	Turkey	L13000
						UAE	Dh12.00

Buthelezi threatens boycott over deficiencies in polling station organisation

Inefficiency claims mar credibility of S African poll

By Mark Suzman and Michael Holman in Johannesburg

Widespread organisational problems yesterday threatened the credibility of South Africa's democratic elections as millions turned out to vote for the first time.

Chief Mangosuthu Buthelezi, leader of the Inkatha Freedom party which barely a week ago agreed to participate in the poll, last night warned that his party might pull out unless what he called an "unacceptable situation" was rectified.

Some designated polling stations never opened, and many of those that did soon ran out of equipment including ballot papers and the invisible ink supposed to be stamped on voters' hands to prevent fraud.

More serious, however, was the unavailability at a number of stations of stickers with the IFP's name. Electoral officers were to have fixed these to ballot papers, which had been printed before the party's decision to take part.

President FW de Klerk appealed for patience and understanding and said he did not believe the problems would interfere with the free and fair nature of the election.

After consultations with Mr Nelson Mandela, the African National Congress leader who voted for the first time in his life yesterday, Mr de Klerk announced that today would be a public holiday, as yesterday had been, to allow South Africans extra time to vote.

Mr Justice Johann Kriegler, chairman of the Independent Electoral Commission, the body charged with running the election, acknowledged "difficulties" but described the process so far as "80 per cent" successful.

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- Civil servants cling to last barricades
- Mandela's walk to freedom
- Not proven verdict

But there was widespread confusion over how to deal with the absence of Inkatha from some ballot papers. The IEC at one stage gave permission for Inkatha supporters, many of whom are illiterate, to write the party's name on to the ballot having initially said this would constitute a spoiled paper – and then later announced that such ballots would be counted only at an unspecified "lesser value". The number of affected votes is not yet known.

Judge Kriegler said millions of new ballot papers with Inkatha's name on were being printed across the country and would be distributed overnight.

Turnout far exceeded expectations and in many voting stations queues stretched for over 2km as people had to wait for up to eight hours to cast their vote.

The IEC was widely criticised for poor planning, inefficiency and even impropriety. Mr Clarence Makwetu, president of the Pan Africanist Congress, charged that the IEC was rigging the election.

The voter response belied fears that a rash of recent bomb blasts, which have killed at least 21 people since Sunday, would lead voters to stay home. Another car bomb exploded at Johannesburg's Jan Smuts airport yesterday morning, injuring 18 people.

Police later announced that they had arrested 31 suspects including a police officer and a reservist, many allegedly associated with the neo-fascist Afrikaner Resistance Movement (AWB).

Problems appeared most acute in former homelands, especially Transkei, Ciskei and northern KwaZulu, where many polling booths never opened.

A personal dream fulfilled: ANC leader Nelson Mandela casts his vote in a high school in the township of Inanda near Durban Picture: Reuter

Kohl and Major align on EU extension

By David Marsh and Philip Stephens

The UK and Germany outlined a common approach on enlarging the European Union to eastern and central Europe yesterday as Mr Helmut Kohl, the German chancellor, damped expectations of a quick expansion.

After a day-long Anglo-German summit in which the two governments repaired strains caused by last month's disagreements on EU voting rights, Mr John Major, the British prime minister, pointed to "a long list of subjects" uniting London and Bonn.

Both men emphasised the warmth of their personal relationship, with Mr Kohl at pains to address Mr Major by the familiar "Du" during a closing joint press conference.

Mr Major's emphasis on the two countries' common interest in links with the former communist bloc marked the opening moves in Britain's campaign to shape the agenda for the EU's 1996 intergovernmental conference.

In a note of caution about enlargement plans, Mr Kohl said extending the EU to the Czech Republic, Hungary, Poland and Slovakia would take longer than generally expected.

He said his government had not yet come up with firm plans on restructuring of the Common Agricultural Policy and the EU's regional funding for poorer regions to accompany eastwards enlargement.

Underlining a joint commitment to reduce red tape in Brussels, the two governments will set up a panel of business leaders to examine whether EU legislation burdens companies with unnecessary regulations.

The idea, discussed yesterday by Mr Michael Heseltine, the UK trade secretary, and Mr Günther Rexrodt, the German economics minister, appears to be in its early stages, as there is no agreement yet on who will be on the panel.

In an effort to improve knowledge of the two countries' economic policies, the UK Treasury and the Bonn finance ministry are to start exchanges of senior officials for three to six-month secondments.

On policies towards eastern Europe, the UK and Germany will propose holding joint military exercises with Hungary next year as part of the Nato "partnership for peace" programme.

The UK government sees another round of enlargement as the key to shifting the emphasis of change in the EU from the "centralising" impulses, which led tothe Maastricht treaty, to a looser confederation of nation states.

Mr Kohl underlined that he, too, opposed a "centralised" Europe. The chancellor denied that his interest in widening Europe to the east meant he wanted to hold up plans for European monetary union. But he emphasised also that the creation of a single European currency had to be "subordinated" to the laws of economic stability.

Meanwhile, Mr Kohl said he had made no firm decision on who the Bonn government would back for the succession to Mr Jacques Delors as president of the European Commission.

He refused to rule out the possibility that Germany will back Mr Jean-Luc Dehaene, the avowedly federalist Belgian prime minister.

Mr Kohl sought to rebut any suggestion that his absence from next month's D-day celebrations was seen in Bonn as a slight.

Editorial Comment, Page 13

Detergent maker boils over at opponent's rotten claims

By Maggie Urry in London and Ronald van de Krol in Amsterdam

Procter & Gamble and Unilever, bitter rivals in the £6bn ($9bn) a year European detergent market, yesterday resorted – almost literally – to washing their dirty linen in public.

Unilever executives brandished ladies' underwear in evidence as they fervently denied claims by P&G that a new concentrated washing powder rotted clothes.

The row reached boiling temperature when an unnamed P&G executive was quoted in a front-page article in the Rotterdam newspaper Algemeen Dagblad as saying fabric showed damage after 24 washes in Unilever's new powder.

Stung by the allegation – all the more painful because Rotterdam is its headquarters in continental Europe – Unilever rapidly called a press conference. One of its scientists held up a cloth which had been washed 380 times in the product and asked: "Can you see any holes?"

Unilever, whose position in the market has fallen behind P&G's in the last five years, is attempting to catch up with the pan-European launch of a new concentrated powder. Billed as the most significant new product launch in the market for 20 years, Unilever claims the powder is genuinely innovative, better at removing stains and more environmentally friendly.

P&G slips 4 per cent...Page 18

The company plans to spend nearly £200m to promote the product across Europe and has already invested £100m in three new factories to make it. Unilever's sales of concentrated powders total £500m across Europe.

Advertising will stress environmental benefits as the product is launched under local brands such as Persil Power in the UK and Omo Power in the Netherlands and Switzerland. Dutch consumers have been able to buy the powder for the last two weeks, although it has been test marketed in the Netherlands since last autumn. It will begin to appear on UK supermarket shelves next week.

While Unilever expected P&G to retaliate to protect its Ariel brand, executives at the Anglo-Dutch conglomerate appeared shocked by its US-owned rival's attack.

Unilever said the allegations were "absolutely unfounded" and it was consulting lawyers over what action it might take.

The vital ingredient in the Unilever powder is a new molecule which it claims accelerates the bleaching process, shortening washing times and allowing lower temperatures. As well as using 80 per cent less energy to make the powder, this reduces the consumer's energy bills too.

But a P&G executive had been quoted in Algemeen Dagblad, saying that his company had known for 20 years about the technology Unilever is using.

Unilever has patented the molecule, and searches of patents show that none of its competitors had claimed ownership of anything like it.

Brussels tells Paris to open up routes from Orly

By David Gardner in Brussels and John Ridding in Paris

The European Commission yesterday ordered the French government to open Orly airport in Paris to Air France's rivals on routes to London, Toulouse and Marseilles.

The demand is a serious test of Brussels' will to enforce the EU's "open skies" policy. France said it would immediately appeal against the ruling to the European Court of Justice.

"The decision taken in Brussels has serious consequences in opening, without a period of transition, France's internal network," said Mr Bernard Bosson, transport minister.

The Commission found that Air France and its subsidiary Air Inter, which also plans to appeal, were in breach of the rules in the so-called Third Aviation Package of liberalisation measures which came into force last year. This was designed to promote greater competition. The Commission's decision follows complaints brought last September by TAT, the French airline 49.9 per cent owned by British Airways, that it was the victim of a monopoly at Orly.

French authorities were told to open up the Orly-London route immediately, and given a six-month breathing space to open up the lucrative routes to Toulouse and Marseilles, the third and fourth busiest routes in the EU.

The controversial decision has been held up through fear of upsetting delicate French government negotiations with Air France unions over restructuring the state-owned airline.

The sensitivity of the decision was underlined yesterday when Mr Jacques Delors, Commission president, abstained and the other French commissioner, Mrs Christiane Scrivener, voted against the action.

Yesterday's move presents a dilemma for the French government, which is seeking European Commission approval for a FFr20bn ($3.43bn) capital injection for Air France. Liberalisation of the French airline market

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Solidarity strike shakes Poland's coalition

By Christopher Bobinski in Warsaw and Chrystia Freeland in Belchatow

Poland's centre-left coalition government yesterday faced its most serious political threat since it was elected last autumn, as the Solidarity trade union prepared a day of nationwide strikes today demanding an end to wage controls in state industries.

Solidarity supporters at four open-cast lignite mines which supply one third of Poland's power stations have been on strike since last Thursday. Yesterday a quarter of the hard coal mines were on strike too.

Workers at Belchatow, an open-cast mine 150km south of Warsaw where opposition to privatisation plans was the trigger for the current wave of strikes, held a bellicose rally yesterday which underscored how much Solidarity has changed since the 1980s, when the union led a united nation in its struggle to overthrow the communist regime.

"This government is worse than the old communists were," said a middle-aged miner, wearing his dirt-streaked navy overalls and a red and white Solidarity armband. "The only improvement today is that at least they no longer send riot police to break up our strikes." He would not give his name and most of his colleagues refused to speak to journalists altogether.

Angry speakers at the rally at Belchatow – which, like the other lignite mines, poses a particularly acute threat to the government because the power stations it supplies do not maintain large stocks of lignite coal – voiced the grievances of a working class which fears it will lose out in the radical political and economic reforms which the workers themselves made possible.

"A very specific group of individuals is benefiting from privatisation, while the workers get nothing," a Solidarity official told a cheering crowd of more than 5,000 miners.

Paradoxically, it is now – after Poland's radical shock therapy reforms gave the nation the highest growth rate in Europe in 1993 and have produced evident prosperity – that workers' fears they will lose their jobs threaten to derail the country's macro-economic stability and its plans to restructure and privatise still inefficient state-owned heavy industries.

Solidarity, which has under 2m members, wants the government to produce a plan for dropping the wage controls by this evening as a condition for ending the protest. Solidarity is also asking for the controls to be replaced by a system of collective wage bargaining within guidelines agreed annually by a tripartite commission composed of unions, government and the employers.

More generally, the union wants a commitment from the government of policies ensuring real wages growth this year at half the rate of GDP growth for 1994 which is predicted at 4.5 per cent.

This formula was promised to Solidarity by the previous government led by Ms Hanna Suchocka and the present coalition promised the removal of wage controls in its election campaign last autumn. The wage controls which date back to the 1980s have also been criticised by right-wing economists who argue that companies which pay their employees too much should be allowed to go bankrupt.

However, non-communist governments have in the past four years kept them in place for fear that Poland's still prevalent state owned monopoly producers would raise prices to pay for wage increases if the controls were lifted.

Mr Waldemar Pawlak, the prime minister and Peasant Party (PSL) leader, recently said that he didn't see the sense of keeping the controls, even though his ministers, led by Mr Henryk Chmielak, the acting finance minister, are arguing that the move would fuel inflation. Mr Pawlak did, however, consent last week to having the coalition's deputies in parliament propose a new wage control law to replace earlier regulations which expired on March 31.

The government's mishandling of the crisis was on display at Belchatow, where a minister, his voice booming over the speaker telephone for nearly an hour, sought in vain to negotiate with union officials. They told him to come to their mine if he wanted to talk and warned that "this is not just some party."

The crisis gives President Lech Walesa – the founder of Solidarity and no friend of the present government, which contains the Left Democratic Alliance (SLD) that groups former communists – an opportunity to mediate and show that the present administration is incapable of ensuring industrial peace without his help.

Just before Mr Walesa went on a two-day state visit to Lithuania on Tuesday he said he would "resolve the situation" on his return. Indeed he has recently lost no opportunity of saying that he thought Mr Pawlak, who is 33 years old, didn't have the experience to handle the present crisis.

Yesterday Mr Miroslaw Pietrewicz, the head of the government's planning commission (CUP) warned of the inflationary dangers of removing the controls.

The latest CUP forecast says that real wages growth for this year would amount to 4 per cent compared to last year, when real wages rose by 1.5 per cent. Prices in the first quarter are rising at an annual rate of 31 per cent compared to 35 per cent last year.

France's Gaullists join UDF in Euro-alliance

By David Buchan in Paris

France's RPR Gaullist party has decided to make an historic switch, a spokesman confirmed yesterday, by joining its French UDF ally in allying itself with the christian democrat European Peoples party (EPP) in the Strasbourg Parliament.

This will have the immediate result, after June's European Parliament elections, of consolidating the EPP as the main conservative grouping at Strasbourg. It could also pave the way to a united centre-right party in France where for decades conservatives have been split between the essentially nationalist movement created by General Charles de Gaulle and the more free-market liberals represented by the UDF federation, put together by ex-President Valéry Giscard d'Estaing.

It is this conservative split that helped President François Mitterrand win the past two presidential elections and that is fuelling the rivalry between Prime Minister Edouard Balladur and Mr Jacques Chirac, the RPR party leader, for next year's presidential contest.

Even though Mr Balladur is a Gaullist, too, he has proved unusually popular within the UDF whose support has given the prime minister a counterweight to the hold that Mr Chirac has over the RPR party machine. When in opposition in the late 1980s, Mr Balladur wrote several articles urging a formal RPR-UDF merger.

But an RPR spokesman said yesterday it would be "reading far too much" into his party's decision to sit alongside the UDF in Strasbourg to believe that it would have such far-ranging domestic political consequences.

The RPR's decision to join the EPP was at the urging of the UDF which Mr Giscard d'Estaing led into the christian democrat grouping a couple of years ago. Mr Alain Lamassoure, the UDF minister responsible for European affairs and a close associate of Mr Giscard d'Estaing, yesterday vaunted in an interview with Le Figaro newspaper "the triple accord" by which the UDF and RPR are fighting the June election, with a single list of candidates running on a common policy platform and agreement that their successful candidates should all wear the EPP label in Strasbourg.

Up to now, the Gaullist Euro-deputies have been part of a ragbag of other conservative nationalists, mainly Irish Fianna Fail deputies, in the European Democratic Rally – just as British Tory Euro-MPs sat with some Danish conservatives in the European Democratic Group until a couple of years ago when they became associate members of the EPP. Like the Tories, the Gaullists have now seen the advantage of joining the big battalion of the christian democrats, despite the EPP's federalist and religious overtones. But the RPR spokesman yesterday did not rule out the possibility that his party's Euro-deputies might form a sub-group of the EPP, like the Tories.

An opinion poll published in Paris yesterday put support for the RPR-UDF list at 38 per cent, with dissident anti-Maastricht conservatives at 4.5 per cent and the National Front at 9 per cent. On the left, the poll gave 18.5 per cent to the Socialists, 9 per cent to a radical list led by Mr Bernard Tapie, the maverick businessman, and 6 per cent to the Communists.

Nato military chief praises constructive role adopted by former foes

Russia warms to Nato partnership

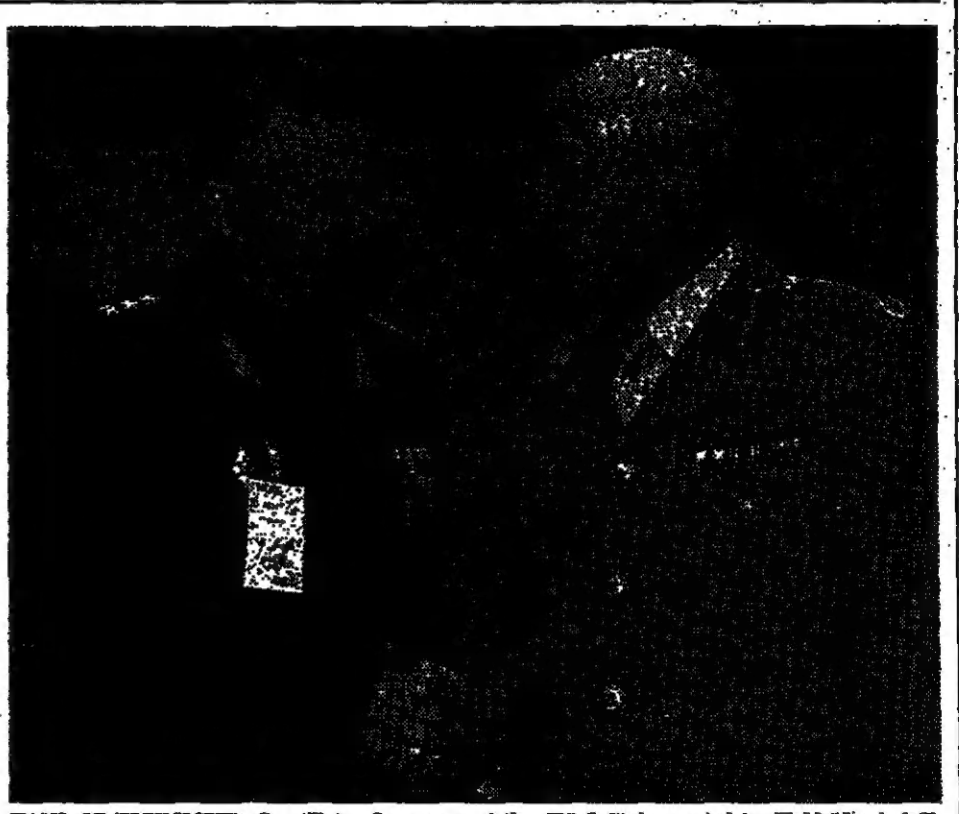
By Bruce Clark in Brussels

A senior Russian general will visit the military headquarters of Nato today amid mounting speculation that his country is about to soften its attitude to co-operation with the alliance.

General Vladimir Zhurbenko, deputy head of the Russian general staff, will be among the top brass from 15 former Communist countries who visit the headquarters at Mons, near Brussels.

Gen Zhurbenko pointedly declined to disclose his country's intentions at a discussion in Brussels yesterday between chiefs of staff from the former Warsaw Pact and their opposite numbers in Nato.

However, Field Marshall Sir Richard Vincent, chairman of Nato's military committee, said the Russian visitor had played an "entirely constructive" role in discussions about joint east-west exercises within the Partnership for Peace.



HAND OF FRIENDSHIP: Gen Victor Samsonov of the CIS (left) is greeted by Field Marshal Sir Richard Vincent before talks at Nato headquarters in Brussels yesterday Associated Press

Nato has invited all its former adversaries in the eastern bloc to join Partnership for Peace, a programme of military co-operation which could pave the way for full membership of the Atlantic alliance for some.

Some 15 former communist countries have joined the programme or are in the process of doing so.

Mr Andrei Kozyrev, the Russian foreign minister, was expected to sign up to the programme during the visit to Brussels on April 21, but the trip was cancelled after a plunge in Moscow's relations with Nato following the first air strikes in Bosnia.

In the last few days, co-operation betweens Russia and the west over Bosnia has again improved and the Serb withdrawal, which averted the possibility of fresh air strikes by Nato, also lightened the atmosphere.

Another sign of improving relations between Russia and the main western countries is the renewed interest in some western capitals in upgrading Russia's ties with the Group of Seven leading industrial nations.

Officials close to President Boris Yeltsin have said that Russian participation in the Partnership for Peace could hinge on Moscow's full acceptance into the G7 club.

The G7's Italian presidency has indicated willingness to accept Russia as a full partner in the group's political consultations, although not in its discussions on the world economy.

A senior Russian diplomat is understood to have telephoned Nato headquarters on Tuesday night with what western officials viewed as a helpful message from Moscow.

The message was to the effect that Russia had strongly pressed the Serbs to withdraw from Goradze, and the pull-out was now broadly complete. However the diplomat said Russia accepted the inevitability of air strikes in the event of backsliding by the Serbs.

General Pavel Grachev, Russian defence minister is due to visit Brussels on May 24, providing an opportunity for Moscow to sign up to Partnership for Peace.

Moscow tries to regulate chaotic share markets

Leyla Boulton looks at efforts to boost confidence

Unique for having the largest number of stock exchanges in the world and the smallest number of shares traded on them, Russia is finally trying to impose some order upon the chaos.

Held up by squabbling among officials and the vested interests of some market participants, the development of a functioning Russian stock market has taken on a new urgency with the appearance of thousands of newly privatised and investment-starved companies desperate to raise capital.

Although an ambitious privatisation programme has created a record number of small investors over the past year, the country has yet to develop a secondary market for share trading.

Last weekend, however, President Boris Yeltsin's Securities Commission gathered dealers, brokers and stock exchanges to request their help in drafting standards and organising self-regulating bodies. Mr Ruslan Orekhov, who chairs the presidential commission, expects the consultations to produce decrees setting those standards by June.

More than half of Russian industry has been privatised in a mass sell-off which ends on July 1. Mr Anatoly Chubais, deputy prime minister responsible for privatisation, is keen to protect his legacy and help companies survive in a market economy. "It is a race against time to stop them from going bankrupt and discrediting the whole idea of market reforms," says one western banker.

With many plants on the verge of closure and mass lay-offs, new share issues are the only hope for helping the better managed companies restructure and re-tool.

The lack of trading is typical of the 65 self-proclaimed exchanges around Russia. Stocks in newly privatised companies are traded only, if at all, at 2pm every day after clerks match paper bids for them, and are mostly in locally based companies.

The bulk of exchange trading is in shares in new commercial banks, currency options, and issues by a few new companies whose only disclosure of information is contained in television advertisements promising rich returns to investors anxious to protect their savings from savage inflation.

But even much of this trading is artificial, says Mr Jonathan Hay, an adviser to the privatisation ministry, who cites the example of AVVA, an industrial consortium which is trying to raise $3bn for Avtovaz, the Russian carmaker.

Authorisation from the finance ministry to launch a share offering with an unprecedented four-year take-up period means investors may be left in the dark until 1998 about whether the project is viable.

Most of the trade in the privatised companies is within the emerging over-the-counter market. The privatisation ministry hopes this will evolve into a self-regulating market modelled on Nasdaq in New York. But here, too, vested interests are at play, with directors of some privatised companies still preferring a closed market to enable them to buy up shares in their companies in order to acquire a controlling stake.

Nevertheless, the main brake on growth has been the state's inability to co-ordinate aspects which cannot be left to market forces.

These include setting standards for company disclosure, fair advertising and a national settlements system. Although companies are supposed to hire independent registrars, many transactions go through only if brokers fly directly to aluminium smelters in Siberia or tractor plants in southern Russia to secure changes in company-held registers.

The danger now is that while the central bank and various ministries argue over regulation, scandals generated by companies which have already rushed to tap the market will undermine confidence.

Although Russians have large reserves of cash to invest, many potential investors are extraordinarily credulous, perceiving what they see on television as fact rather than advertising.

One of the most traded securities in Russia is in an obscure financial company called MMM, which runs television advertisements every night showing old ladies buying its certificates of deposit, changing their minds, and getting the paper redeemed with a big profit three days later.

But earlier this month, the day after a bank of the same name folded, Izvestia newspaper reported that hundreds of MMM shareholders had been unable to redeem their certificates at MMM offices.

In its attempts to get hold of MMM's management, Izvestia found that all the MMM telephone numbers held by the central bank or the finance ministry were no longer valid.

Opel plan 'strikingly similar' to VW idea

By Christopher Parkes

Plant X, the root of all the trouble between Volkswagen and General Motors, has re-emerged at the centre of a criminal investigation into suspicions that the US group's former global purchasing chief stole GM secrets before his move to the German company just over a year ago.

As German prosecutors announced yesterday, there were striking similarities between GM's secret Plant X – a shelved project to build a super-efficient car factory in Mr José Ignacio López de Arriortúa's native Basque country – and VW's "own" version, Plant B.

The similarities were detected during the painstaking sifting of data seized last August in a search of Volkswagen's headquarters and the homes of Mr López and seven colleagues who fled with him from GM to VW. Data on plant B was found in Mr López's office, prosecutors said.

Neither the find nor its location is really surprising. While still employed by GM, Mr López worked as project leader on Plant X. He personally negotiated a deal with a Basque consortium. He had a site all ready for the revolutionary new works, "my dream," as he liked to call it.

It was the shattering of this dream, with the discovery that the project was not to go ahead – at least not in Mr López's home town – which led to his bitter and controversial desertion. Shortly after his move, as charges and counter-charges flew about his head, Mr López was to learn that VW was not to go ahead either.

But while the plant represented Mr López's "dream", it could in no way be considered his property. Investigations will continue, details will be checked and cross-checked to discover how closely the two projects match one another. The aim will be to determine if VW's project was copied from GM data – essential if industrial espionage is to be proved.

The likelihood of more than passing similarities being found appeared to be increased by other discoveries announced by the prosecutors' office yesterday. These included diskettes and other material which were suspected of being sourced or copied from documents belonging to Adam Opel, GM's German subsidiary.

Another important find was a diskette in Mr López's "personal environment" crammed with data on cost-saving programmes for GM cars.

Although a seemingly meagre harvest from almost eight months gleaning through the 2m-plus sheets of paper seized in last August's raids, the discoveries clearly nullify recent speculation that the chief investigator, Ms Dorothea Holland, has reached the end of her tether and is about to fold the whole investigation.

It will last for several months yet, according to her spokesman, and there is no sign yet of whether it will result in charges either in Germany or the US, where a federal grand jury is investigating. In the interests of preparedness, VW appears to have a defence ready and based on the claim that GM has an exagerated sense of what is secret. KPMG consultants, called in after the VW raid last year, found some GM and Opel data, and declared the lot non-confidential.

Yesterday's revelations followed last year's find of secret data on Opel's sub-compact O-car in a house previously occupied by two of Mr López's closest lieutenants, and admissions from VW that large quantities of "possibly sensitive" data was shredded on its premises.

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EUROPEAN NEWS DIGEST

$113m aid urged for Ukraine

The European Commission has drawn up plans for Ecu100m ($113m) emergency food aid to Ukraine. The move is in response to a crisis in farm production and distribution which has turned Ukraine, the former breadbasket to Russia, into a net food importer. The Commission warned yesterday that shortages of seeds, fertiliser, fuel and investment in farm equipment have caused chaos in the Ukrainian food supply and increased the threat of social unrest.

The food aid plan is part of a new European "action plan" for Ukraine which requires approval from the 12 EU member states. The Commission plan also attempts to tackle the crisis in Ukraine's energy sector. One idea is that the EU, backed by international donors, should help to complete two new nuclear reactors at Rovno and Khemelnitzky, conditional on the Kiev government dropping opposition to shut down the Chernobyl plant. The Commission made clear that it views the proposals as a test of the EU's nascent common security and foreign policy. Other plans include closer political contacts to consolidate democracy and human rights, improving strained relations between Ukraine and Russia, and strengthening Ukraine's "independence, sovereignty and territorial integrity." *Lionel Barber, Brussels.*

Russia debates MP's murder

Russia's parliament, which has not passed a single law since its election last December, yesterday devoted its energy to a furious debate over the contract-killing of an MP and former banker. The shooting of Mr Andrei Ayzderdis at his home on Tuesday night prompted a pledge of swift retribution from President Boris Yeltsin, who has been trying to persuade parliamentary parties to sign an agreement today committing them to political consensus.

Conservative deputies, led by Mr Vladimir Zhirinovsky (left), called for the sacking of Mr Victor Yerin, the interior minister, claiming that the killing of Mr Ayzderdis, who last week published a list of 266 alleged mafia bosses, proved the present government was incapable of fighting crime. *Leyla Boulton, Moscow.*

Dutch-Belgian naval accord

The Dutch and Belgians have tentatively agreed to set up a joint naval command headquarters to cut costs at a time of shrinking defence budgets, a Dutch navy spokesman said yesterday. The two nations will merge their command units at the Dutch naval headquarters in Den Helder, 86 km north of Amsterdam. Operations will be directed by the headquarters by a single binational staff. The accord has to be formally approved by defence ministers of both nations. Belgian navy headquarters in Ostend will be closed, while there will be a cut in Dutch staff at Den Helder. Belgium froze its defence budget last year at $2.85bn a year until 1997. It is also aiming to halve its armed forces to 47,500 soldiers. After the restructuring, Belgium will have three frigates, 11 minesweepers and hunters and two other command vessels. The Dutch defence ministry will be cutting its number of frigates from 22 to 16, submarines from six to four, and all its 12 minesweepers will be abolished. *Associated Press, The Hague.*

Hungary media move

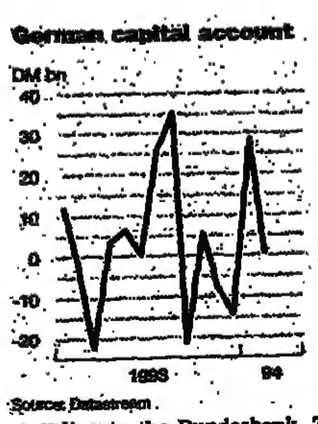
The Hungarian government expanded its portfolio of media businesses by buying back the venerable but loss-making Magyar Nemzet daily newspaper from its French owner, the state news agency MTI reported yesterday. Hersant Group subsidiary Hungarian Presse Participation Ltd sold its shares in the paper for an undisclosed sum, but MTI estimated Ft400m ($3.9m). The government is also assuming the paper's Ft800m debt and injecting a further Ft200m to keep the paper afloat. In 1990, the government prevented Magyar Nemzet's sale to the Swedish liberal newspaper Dagens Nyheter on political grounds and finally settled on the conservative French concern. The state now has a 92 per cent stake in Magyar Nemzet, fourth largest among national dailies with a circulation of 30,000. The largest circulation daily, Nepszabadsag, has a circulation of 300,000 and is mostly owned by German media giant Bertelsmann. *Associated Press, Budapest.*

Cyprus hopes fade

Hopes of a breakthrough on Cyprus appeared to recede yesterday with Turkey's parliament postponing today's debate on United Nations' confidence building measures to end the 20-year division of the island. The move to Tuesday is a snub to Prime Minister Tansu Çiller, who has urged the Turkish Cypriots to agree to the package, warning that Cyprus was an increasing handicap for Turkey. She was openly attacked by Turkish politicians, and less explicitly, by Mr Rauf Denktas, Turkish Cypriot leader. A UN special envoy has been in an intense diplomatic shuttle between Turkey and the island this week in an effort to sell plans to reopen Nicosia airport for use by both communities, and to allow Greeks to return to the resort of Varosha. *John Murray Brown, Istanbul.*

ECONOMIC WATCH

Germany sees DM13.7bn outflow



Germany suffered a net outflow of long-term capital in February of DM13.7bn, (£5.43bn) compared with an inflow of DM16.7bn the previous month, underlining the recent turbulence in the bond market. Foreign investors sold a net DM9.6bn worth of fixed interest bonds (after net purchases of DM26.6bn in January), whereas domestic investors increased their purchases of foreign bonds from DM4.6bn to DM10.8bn. As a result, the surplus on capital account in the balance of payments shrank from DM28.5bn to just DM600m in February, according to the Bundesbank. The figures reflect in part the flight of US mutual funds from the German bond market because of rising interest rates, and partly a correction after the massive inflow of money from Luxembourg in December and January, when certain tax allowances were cancelled.

The current account of the German balance of payments showed an increasing deficit, from DM2.6bn in January to DM4.8bn in February, after unusually high deficits in service payments and net transfers. The visible trade surplus was down just DM200m from January, at DM5.7bn. *Quentin Peel, Bonn*

■ Eastern Germany's manufacturing industry orders were 4.2 per cent higher in February compared to January and up 23.9 per cent from a year earlier, thanks largely to a surge in domestic demand, said the German economics ministry.

■ Swiss consumer prices rose 0.1 per cent in April after standing unchanged in March to give annual inflation of 1.0 per cent, the Federal Statistics Office said.

■ Bank of Greece governor Ioannis Boutos said in his annual review of the economy that he expected year-on-year inflation to be steady at around 10 per cent in April.

No delight at Turkish central bank plan

Few bankers give much credence to the guidelines behind autonomy move, writes John Murray Brown

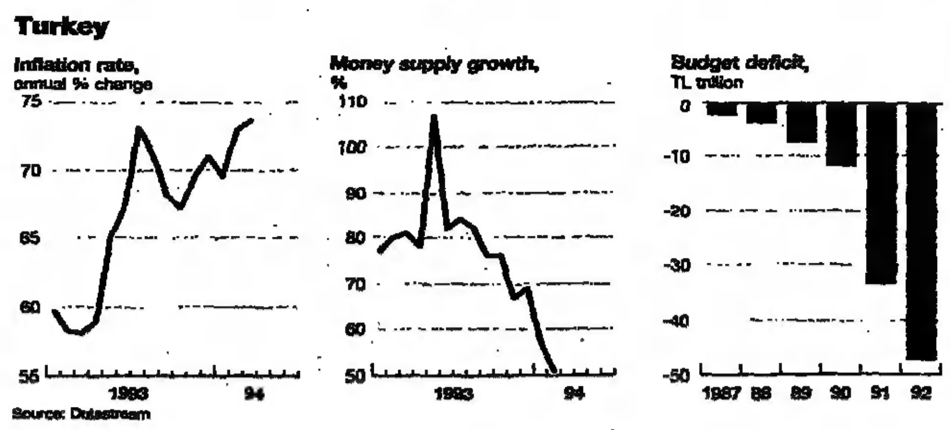
The Turkish government has moved to restore confidence in the financial system, implementing a new central bank law which strengthens the autonomy of the bank.

The law also provides for a "lifeboat" to help troubled banks through the current money market turbulence, in the wake of the collapse of three small private banks.

The moves come ahead of this week's mission from the International Monetary Fund, to assess the austerity programme unveiled by the prime minister, Mrs Tansu Çiller, on April 5. The Fund's approval would pave the way for negotiations on a letter of intent and agreement on a standby facility which would in turn open the way for Turkey to return to commercial debt markets.

Tension between the central bank and the Treasury has been at the root of Turkey's economic malaise. Mrs Çiller's lax monetary policy and, in particular, her use of central bank funds to finance the budget deficit has helped fuel inflation by increasing money supply and has been the cause of the resignations of two bank governors since she came to office last June.

The new law limits the extent to which the Treasury can tap the central bank for short-term advances, reducing the amount from the current 15 per cent of budget appropriations. However, given Mrs Çiller's record, few bankers are giving much plausibility to the broader guidelines aimed at strengthening the autonomy of the bank.



Bankers say the law also fails to address the more awkward issue of the lack of effective supervision of the banking sector, which has been sharply exposed by the current crisis.

The collapses this month of the Tourism and Investment bank (TYT), Marmara Bank and the most recent casualty Impexbank – the small Istanbul trade finance concern formerly owned by Mr Asil Nadir, the fugitive tycoon – shocked the financial community, both in Turkey and abroad in the wake of a four-month currency crisis which has seen a 50 per cent depreciation of the lira against the dollar.

Bankers are asking how the government could have approved, last July, the $213m (£142m) purchase by TYT's parent company Lapis Holding of an 89 per cent stake in Disbank, the reputable trade finance concern in what was then the largest ever Turkish bank takeover. The deal has now been cancelled.

In a further indication of the inadequacy of accounting procedures, brokers point to the anomaly that Marmara Bank reported a 700 per cent nominal rise in profits for the first quarter, according to figures lodged with the Capital Markets Board, the government stock exchange watchdog.

The lifeboat system envisaged under the new law will allow the treasury to provide up to twice a bank's equity to help overcome a sudden run on deposits. The move symbolically draws an official line under the crisis. However, it also underscores concern to see it does not precipitate the failure of one of the larger family-owned banks which, given the exposure to industrial affiliates, could have widespread fallout for the economy.

Tansu Çiller: lax monetary policy helped fuel inflation *Camera Press*

It comes amid bitter recriminations between Turkey's state banks and the Treasury, after revelations of the exposure of the state sector to the three failed private banks.

Mr Ozal Baysal, head of the Turkish Development Bank (TKB), openly criticised the Treasury for not forewarning about the health of TYT, where TKB is said to have had $30m in foreign currency deposits.

Nigerian row worsens over fuel crisis

By Paul Adams in Lagos

Nigeria's military government has passed the blame for Nigeria's chronic shortages of domestic fuel onto the state-owned Nigerian National Petroleum Corporation (NNPC), as the crisis in the nation's oil industry worsens.

An ultimatum, late on Tuesday night, from Lt-Gen Oladipo Diya, chief of general staff, threatened "very drastic measures to redress the situation" if the NNPC failed to ease the scarcity within a week. It is unclear what the regime is threatening. What is more, the corporation is a parastatal monopoly supplier under the direct control of the government since it dismissed the NNPC board last year.

'For years the Nigerian government has been plundering the NNPC's funds and it is now turning round and blaming the company because it has no money'

The government says that a tanker of fuel is expected to unload at Apapa dock this week, but this is described by industry experts as "a sticking plaster not a cure".

Queues for fuel in Lagos are up to a quarter of a mile long and some motorists have become used to sleeping overnight while they wait. All of Nigeria's refineries, which had been working well below capacity for some time, stopped producing last month.

The black market price has reached about N12 a litre (about 25 US cents) for petrol. Fuel at the official price of N3.25 a litre is almost unobtainable.

When tankers reach filling stations. the often violent scramble and the increasing use of jerry cans to buy and hoard fuel are making them extremely dangerous. Several people have been reported killed this week in fires at petrol stations in the area around Lagos.

NNPC has oil refineries in Kaduna; it has been producing almost no fuel since a fire last June; Warri, which is closed for long overdue maintenance until at least July; and Port Harcourt, which has just returned to service after being sabotaged by striking workers in February. Experts believe Port Harcourt is still well below capacity and cannot meet domestic demand.

NNPC has been criticised by the private sector and international donors as corrupt and inefficient. Smuggling of Nigerian fuel is common, encouraged by the large price differential in neighbouring francophone Africa. International oil companies say that the shortage has been caused by NNPC offering unrealistic terms to supply imports.

But the root of the corporation's problems is under-funding.

"For years the government has plundered NNPC's funds and it is now turning round and blaming the company because it has no money," according to a banker in Lagos.

The government faces acute problems in the upstream oil industry as well. Last week Shell Nigeria, which produces half of the country's nearly 2m barrels of oil a day, warned that the government's failure to pay its share of the joint venture costs was sending the industry, which accounts for 95 per cent of all export earnings, into a downward spiral. The government's arrears to the oil companies have been more than \$500m (£342.4m) since last year and the industry has stopped all drilling and development work, leading to a gradual decline in capacity and a probably cut in the Opec quota.

Shell has also detailed a growing problem of lost production due to community unrest in the oil producing areas leading to violent attacks on company staff and plant.

These "shut-ins" have caused deferred or lost production of 150,000 barrels a day of oil in Shell' s operations alone during the past week.

The unrest is fanned by the government's failure to provide even basic infrastructure in the area which produces nearly all of its revenue. The oil companies are bearing the brunt of the attacks from increasingly militant youth leaders who back up growing demands for compensation and facilities with violence.

Chinese official snub for Patten

By Simon Holberton in Hong Kong

China yesterday confirmed that Mr Lu Ping, its top official in charge of Hong Kong policy, will visit the colony next week for the first time in more than two years.

But in a snub, underlining the sensitivity of the visit which comes just months after the collapse in Sino-British co-operation on the colony's political development, Mr Lu has written to Governor Chris Patten that he has no time to see him.

The governor said yesterday that Hong Kong would be disappointed by their failure to meet. There were "serious questions that we need to discuss" and that he had written to Mr Lu earlier this month on the issue of property prices and the civil service, he said.

Mr Lu's week-long visit – his first since January 1992 – will be taken up mainly with meetings of a committee set up to plan China's takeover of Hong Kong after 1997.

In spite of the snub to Mr Patten, the visit may be a step towards finding a way of dealing with Britain on Hong Kong matters, excluding politics.

It may reinforce recent signs of a willingness to deal with "non-political" issues, such as airport financing and technical matters of sovereignty handled by the Joint Liaison Group.

Mr Lu's visit will not be an easy one. He will face questioning about why he is not meeting Mr Patten in spite of overwhelming public support for such a meeting. He will also have to explain why a mainland journalist working for a Hong Kong newspaper was recently jailed for 12 years.

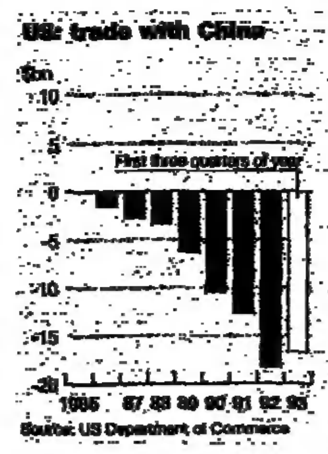
See Observer

Clinton is served with a Chinese recipe

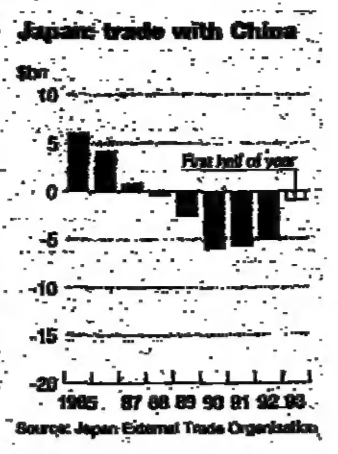
Alexander Nicoll reviews suggestions for a long-term, pragmatic trading partnership

Washington's annual agony over policy towards China should be ended, according to a paper published yesterday by a US think-tank.

President Clinton must decide by June 3 whether, on human rights grounds, to deny renewal of most-favoured nation trading status to Beijing. To do so would increase prices for many goods in the US and seriously damage export and investment prospects for US companies. But to renew MFN without qualification would plunge him into deep water with Congress.



Source: US Department of Commerce



Source: Japan External Trade Organisation

The paper, published by the Institute for International Economics, says the US should drop this repeated self-torture. Instead, the US should work towards bringing China into the General Agreement on Tariffs and Trade this year and then grant permanent MFN status – as do all other large countries – but make it conditional on Beijing's compliance with its Gatt protocol.

These steps would be part of a large-scale revision of US policy to cease treating China as a communist pariah with a closed economy and instead recognise its growing role in the world and its relative openness, the paper says.

"US objectives in Asia are most likely to be accomplished by treating China as a strategic partner rather than a backlash state, as President Clinton's national security adviser labelled it," writes Mr Nicholas Lardy, author of the paper, *China in the World Economy*.

Mr Lardy, an expert on the Chinese economy, bases his argument partly on refuting what he says are false US beliefs about China.

According to some western fears, China is about to become the world's largest economy, will build ever larger-trade surpluses especially with the US, and will do so while keeping its domestic economy closed.

How big is China? Mr Lardy puts China's per capita gross domestic product at about \$1,000, about three times the traditional World Bank measure based on exchange rates, but well below some recent estimates based on purchasing power parity.

Though Mr Lardy can see GDP growth averaging 9 per cent per year until the year 2000 – barring political disruption – he forecasts that the dramatic increase in Chinese productivity will slow and that the absolute size of the economy will not match that of the US until 2040.

Even if the per capita growth rate were twice that of the US, income per head would not catch up with that of the US for approximately 150 years. China is still a poor country, but a big one whose role in the world economy is growing rapidly.

It accounts for 2.5 per cent of world trade and is the tenth largest exporter, compared with 0.6 per cent and 30th respectively in 1977, the year before Deng Xiaoping's reforms began. It has probably absorbed more direct foreign investment than any other developing country, is the biggest borrower from the World Bank and raises significant capital on international debt and equity markets.

That it should acquire such a prominent economic position while still run by the Communist party raises particular problems for US policymakers. They look at US trade figures and instinctively demand that China's market be opened to US goods.

But this is based on misconceptions, argues Mr Lardy, as well as statistical aberrations. The figures over-state the US deficit by several billion dollars annually, he says, though not by as much as China claims. (The differences result from treatment of goods passing through Hong Kong).

China has global trade and current account deficits, and the recipient of substantial foreign capital – hardly supporting the contention that the economy is closed. Mr Lardy believes the economy is more open than more other regional countries, such as South Korea, which are at the same stage of development.

Beijing's anomalous surplus with the US is partly the fault of the US itself for deliberately limiting exports and restricting export credits and aid programmes – policies which should be reversed, he argues.

Mr Lardy notes that the US, despite its desire to promote in Asian economic co-operation, "is the only country in the region that uses unilateral economic sanctions rather than regional co-operation to promote human rights and achieve other objectives".

The US, he says, should rely as much as possible on multilateral sanctions, including those which could be implied within Gatt, when China's behaviour falls short of international accepted standards. Having China on the inside is more effective than keeping it out.

Mr Lardy argues that revoking MFN without improving the human rights situation would damage US interests as well as the prospects for further market reforms which, he believes, offer the best hope for political liberalisation.

His call for a change in the US mindset on China will be welcomed by those in the US government who have already brought about a broadening in the Sino-US relationship, evidenced by more frequent, wide-ranging and senior bilateral discussions in the past few months. But it will be anathema to those who argue that MFN is the only real lever which the US has over China to prevent abuses of human rights.

China in the World Economy. Nicholas R.Lardy. Institute for International Economics, 11 Dupont Circle, NW, Washington DC 20036-1207. \$16.95 (\$18.95 outside US and Canada)

Hata's minority government faces difficult future

Japanese PM searches for a political lifeline

By William Dawkins in Tokyo

Mr Tsutomu Hata, Japan's new prime minister, last night met the remaining partners in his depleted coalition to prepare the weakest minority cabinet in post-war history.

The cabinet, to be announced today according to a coalition official, has scant chance of surviving for more than a few months, since it is 56 seats short of a majority.

It is assured of opposition support for the current year's long overdue budget, agreement on which could be reached by early June. After that, it could fall to a vote of no confidence at any moment, unless Mr Hata decided to resign first.

Mr Hata lost his majority when the Social Democratic party, formerly the coalition's largest member, left the coalition on Tuesday. It split over the centre-right alliance members' secretive formation of a new grouping, Kaishin (Innovation). The Hata administration's chances of long-term survival grew even poorer yesterday when the SDP and opposition Liberal Democratic party agreed in principle to co-operate in parliament.

On the surface, the SDP-LDP link-up looks strange in that they are supposed to be arch-rivals. The socialists were the main opposition party to 38 years of conservative LDP government until the SDP joined the new ruling coalition last year.

Yet the LDP and socialists did in practice co-operate on legislation in parliamentary committees during the LDP's reign.

"They have been in bed with each other since 1955," said Mr Dan Harada, a political lobbyist. Officials from the two parties will meet this morning to discuss details of their co-operation.

Mr Tomiichi Murayama, SDP chairman, hinted yesterday that his party might submit a no-confidence motion against the new government, depending on "future developments". The SDP would, however, support the government on the budget, he said.

The SDP has no plans to rejoin the government coalition, even if Kaishin disbanded itself, said Mr Murayama. Mr Hata has asked him to a meeting this morning, in a belatedly courteous gesture, before announcing the planned new cabinet line-up.

Mr Hata needs to fill eight seats in the 21-seat cabinet, including the six vacated by the SDP by its decision to leave the coalition, the foreign ministership which he used to hold and the post of chief cabinet secretary, or government spokesman.

That post was previously held by Mr Masayoshi Takemura, the leader of the New Harbinger party, which left the coalition in protest against the growing influence of the centre-right.

Japan moves on digital TV plan

By Michiyo Nakamoto in Tokyo

Japan's Ministry of Posts and Telecommunications aims to standardise digital television technology for satellite, terrestrial and cable broadcasting by 1995, the ministry said.

The plan, the first concrete indication of its firm intention to move towards digital broadcasting, is based on a report by an advisory panel, made public yesterday, which recommends the early development of digital broadcasting technology in line with international trends.

The report, which will form the basis of policy at the ministry, points to the enormous progress in the west towards digitalisation of broadcasting and calls for the Japanese to speed up their move to digital television.

"The standardisation of ATV (next generation TV) broadcasting in the US and satellite digital TV broadcasting in Europe is expected to progress strongly in the next year or two, while international standardisation through the ITU (International Telecommunications Union) is also planned in the future," the report notes.

The publication of the report comes just months after an official caused uproar by indicating that the ministry was keen to promote digital television, even at the expense of Japan's home-grown high definition system, known as Hi-Vision, which is an analogue system.

The electronics industry at the time protested vigorously against the ministry's expressed stance on the grounds that Hi-Vision was a technology which the ministry itself has promoted avidly and on which the industry, as well as Japan's public broadcaster NHK, has spent vast R&D funds.

However, the advisory panel's final recommendations put Japan firmly on the digital route.

The country already is seen to be behind in the technology race against the US and Europe, which have significantly more advanced plans for introducing satellite digital TV than Japan does.

Australian retailer in court over fraud case

By Nikki Tait in Sydney

Mr Brian Quinn, chief executive of Coles Myer, Australia's largest retailer, until 1992 and a former member of the Reserve Bank of Australia's board, appeared in Melbourne magistrate's court yesterday, charged with 49 counts of theft amounting to A\$4.8m (£2.3m).

Mr Quinn, aged 58, was also charged with conspiracy to defraud Coles Myer, by falsely representing expenditure at his private residence as spending for various stores, warehouses and other residences owned by the company.

Commander Allen Bowles, from the Victoria police's fraud squad, told the court that Mr Quinn had spent some A\$6.1m on his house at County Terrace, in Melbourne's north-eastern suburb of Templestowe. He said A\$4.8m of this was falsely recorded against various Coles Myer locations to disguise the total spending.

The Victorian police have been investigating allegations of corruption at Coles for three years, and have filed a variety of charges against about a dozen people who were either once employed by the company or suppliers to it. These charges have included allegations that secret commissions were paid to contractors, for example, and that quotations were falsified for work done on Coles properties.

Mr Quinn was bailed to appear at a committal hearing on June 24.

Canberra caution on interest rates

Australia's consumer price index rose by 0.4 per cent in the March quarter, putting the country's annual inflation rate at 1.4 per cent, writes Nikki Tait. This represents a dip from the December quarter, when the CPI increased by 0.2 per cent, to give an annual rate of 1.9 per cent.

Mr Ralph Willis, the Australian treasurer, took advantage of the news to stress that there was no reason for interest rates to rise in the "foreseeable future", and to criticise dealers who have driven money market rates higher, largely in response to interest rates rises in the US.

Mr Paul Keating, prime minister, added that he believed the bond markets – where yields have also been rising – had lost credibility as a guide to inflationary expectations.

Sharp decline in Japanese output

Japan's industrial production fell 3.1 per cent last month compared with March last year, the Ministry of International Trade and Industry said yesterday, writes Paul Abrahams in Tokyo.

The ministry also published figures showing sales by Japan's large retailers fell 3 per cent in March compared with the same month last year. Industrial production, compared with the previous month, was 4 per cent up, but the ministry warned it would show declines during April and May.

Principal participants in the peace process gather for talks in Egyptian capital

Last push for Palestinian agreement

By Julian Ozanne and Shahira Idries in Cairo

Mr Yassir Arafat, PLO chairman, and Mr Warren Christopher, US secretary of state, were due in Cairo last night to give a final push to Israeli-Palestinian negotiations on Palestinian self-rule in the occupied Gaza Strip and West Bank town of Jericho.

Mr Shimon Peres and Mr Yossi Sarid, Israel's foreign and environment ministers, are expected to join Mr Christopher, Mr Arafat and Egypt's President Hosni Mubarak for talks this morning aimed at wrapping up the agreement next week.

Palestinian negotiators said they hoped Mr Christopher would put pressure on Israel to ease some of its security demands and grant more authority to the incoming Palestinian National Authority.


Three men in pursuit of an agreement: Mr Yassir Arafat (left), Mr Warren Christopher and President Hosni Mubarak of Egypt

"We hope [Christopher] can do something as representative of one of the sponsors of this peace process, and do whatever is needed to persuade the Israelis to change some of heir polices," said Mr Faisal al-Husseini, PLO boss in the occupied territories. "If our control is incomplete and our authority is incomplete then security will be incomplete. We hope the Israelis understand this."

Mr Christopher was also expected yesterday to present the PLO with the first tranche of 200 vehicles donated by the US to the new Palestinian police force.

At least 20 vehicles were flown into Cairo airport by the US Air Force for a handover ceremony shortly after Mr Christopher's arrival from Saudi Arabia. US officials said the rest of the vehicles would arrive in days by ship at Egypt's Port Said.

Israel and the PLO said yesterday they still hoped to conclude self-rule talks within days to prepare for a signing ceremony between Mr Arafat and Mr Yitzhak Rabin, the Israeli prime minister, in Cairo next week.

Mr Nabil Shaath, chief PLO negotiator, said the talks were "going fast. Everybody is working day and night".

The negotiations were at the "stage of final drafting and redrafting", he said, but had still not resolved the serious obstacle – the legal jurisdiction of Palestinian law and courts in Gaza-Jericho. Mr Shaath said both sides were aiming to resolve all issues except the size of the Jericho enclave and the stationing of a Palestinian policemen on the Allenby bridge border-crossing before a Rabin-Arafat meeting. These include sensitive matters that touch on sovereignty, such as the ability of the Palestinians to issue their own stamps, passports and currency and to have their own international dialling code.

Thai police charged over Saudi gem theft

By William Barnes in Bangkok

Thailand's former national police chief, General Sawat Amornwiwat, and six other senior policemen have been charged with negligence and malfeasance in connection with the extraordinary theft of millions of dollars worth of gems from a Saudi prince in 1989.

The police's dilatory and incompetent investigation into the theft, and series of unexplained murders of Saudi diplomats and a businessman in Bangkok, annoyed the Saudis so much they came close to severing diplomatic relations.

They stopped issuing work permits to Thai nationals which cost Thailand up to \$1bn a year in lost remittances; 250,000 Thais were working in Saudi Arabia in 1989, only some 30,000 work there now.

"I have been waiting for four years and nothing has happened. But I believe General Pratin [Santiprapop, the current police chief] is an honest man and he wants to make everything clear to the world," said Mr Mohammed Said Khoja, Saudi Arabia's chargé d'affaires, yesterday.

A police lieutenant general, who headed the original investigation into the theft, and seven others, were charged with embezzlement last year.

The scandal dates back to 1989 when a Thai cleaner stole 90kg of jewellery – including a family heirloom: a diamond the size of a pigeon's egg – from the palace of Prince Faisal Abdul Aziz al Saud in Riyadh.

The thief, Kriangkrai Techamong, was arrested with exemplary speed after his return and many of the jewels recovered. However, Saudi pleasure quickly faded when it was discovered that most of the gems returned were fakes.

Relations between the two countries plummeted when gunmen shot dead four Saudi diplomats in broad daylight between 1989 and 1990 in the streets of Bangkok.

The Thai police's lacklustre investigations threw up a bizarre parade of murder suspects, including religious zealots, drug dealers, business rivals, Pakistani gangsters and international terrorists.

Saudi unhappiness reached its acme when it was revealed that a prominent Saudi businessman, Mohammed al-Ruwaily, who disappeared around the time of the murders, had probably been abducted and killed by a group of Thai policemen.

Hard road for Natal's rural voters

By Patti Waldmeir in Mtengwane, Natal

"No, no, no, no, no. I'm not allowed to go there." Shaking his head and speaking with resignation, Induna Cele, headman of the Mtengwane settlement in southern Natal, explains why he did not cast his vote at the local polling station, only a spear's throw away across an intervening hill.

Asked why, Mr Philip Mavundla, a fellow villager, has a simple reply. "Because they are ANC and we are IFP," he says, referring to the area's two rival parties, the Inkatha Freedom party and the African National Congress.

The polling station, at Nkonka school, is located in an ANC area. The Mtengwane villagers and the hundreds of people in the voting queue at the school agree that no IFP member would dare come there to vote. Everyone would know them, said the voters at Nkonka school, and they would not come out alive.

Unfortunately for Inkatha, there is no polling station in Mtengwane, or in any nearby IFP area. So the people of the village have had to travel at least 10km to vote in the white town of Port Shepstone and other white areas.

It is not clear why this is so: perhaps Inkatha's late entry into the electoral process prevented the Independent Electoral Commission from setting up a polling station in time. Perhaps the IEC was naive enough to think the nearby Nkonka school would do for both warring communities. Neither reason explains why the IEC could not have brought one of its mobile polling stations to Mtengwane.

But if Inkatha was disadvantaged by this omission, the kwaZulu "homeland" government headed by Chief Mangosuthu Buthelezi, Inkatha leader, did all it could to overcome this handicap: the government sent buses to collect the residents of Mtengwane and other Inkatha areas - ignoring ANC areas where transport was also needed - to take them to vote in white areas. And it would be a brave villager who declined to go with them.

On the other side of the hill at Nkonka school Mr Cedric Sokhulu, deputy presiding officer and former principal of the school, insists all are welcome at the polling station, which is protected by a handful of police. But he acknowledges most voters are ANC supporters - except for one elderly woman who insisted she was prepared to vote for only one man: Jesus (and proceeded to insist that Mr Sokhulu point out his picture on the ballot paper).

Other elderly voters showed up with folded pictures of the ANC's Mr Nelson Mandela pressed into their hands by anxious children fearful that granny or grandad would otherwise vote for the wrong party. They, too, demanded that Mr Sokhulu show them their leader's picture on the ballot paper.

Far below, in the white town of Hibberdene, the polling queue reflected - even more than at Nkonka school and in Mtengwane - a picture of the new South Africa. Thousands of black voters queued for hours in a 2km string which wrapped around the local library, and there were only 12 rather lonely looking whites in the queue. They said they were sure more whites would turn up later: but the prospect of sharing one long queue with blacks may have put them off.

Civil servants cling to the last barricades

White bureaucracy remains a bastion of the old South Africa, writes **Patti Waldmeir**

SOUTH AFRICAN ELECTIONS April 26-28

"A lot of things are going to change, but everything will remain the same." That might, in general, be the motto for the new South Africa. But in this particular case, it is the reflection of a senior minister in the outgoing government on the future of the country's 1.7m strong public service: administrator of apartheid, employer of the last resort for poor Afrikaners, and bastion of the old South Africa.

The public service is about to get a new boss, almost certain to be Mr Nelson Mandela. And he knows that the real power in South Africa lies not in the parliament in Cape Town, which his African National Congress will dominate, but in the civil service and the security services, which remain the preserve of white Afrikaners, many of them conservatives.

Mr Mandela's ANC has made big sacrifices to ensure the loyalty of the public service - which includes employees of central government, "homeland" bureaucrats and the staff of public corporations.

Indeed, one of the main reasons for agreeing to share power with the long-ruling National party in a government of national unity was to ensure that the white-dominated public service did not sabotage a new black government from within.

To that end, the ANC and the National party struck a deal in the last days of constitutional negotiations in November last year to protect the pension rights of (white) civil servants while providing for affirmative action in the highest echelons of the service. National party negotiators were ecstatic: they had made it too costly to sack large numbers of top white civil servants by guaranteeing they would receive full pension payouts.

In return, black South Africans are to be brought into director-general level positions; but the process of black advancement will be gradual and continuity in the civil service will be guaranteed.

Only the taxpayer will lose. The only conceivable way in which whites can be retained and blacks advanced will be by adding to the already bloated civil service payroll. Several forces are likely to swell the payroll in the near term: affirmative action, the creation of nine new provincial bureaucracies, and the demands of the ANC's "reconstruction and development programme", with its education, health care and service provisions demanding more teachers, nurses and other government employees.

Any rise will reverse a recent trend toward containing the size of the civil service. From 1980 to 1992, public service employment rose by 31 per cent, nearly four times the rate of the private sector. But between 1991 and 1992, the rise slowed to only 0.05 per cent.

The ANC's reconstruction programme says that by 1999 the civil service must reflect the racial composition of South Africa: Black Africans 76 per cent; whites 13 per cent; indians 2 per cent and coloureds 9 per cent according to the latest census.

Overall, the composition is not too far from that now. Although the government no longer publishes a racial breakdown of the service, 1992 figures show half the service was already black African. That figure is estimated to have risen to 60 per cent and only a quarter of the service is now estimated to be white.

However, almost all power within the service lies in white male Afrikaner hands. Figures from the South African Institute of Race Relations show that in 1992, only 0.6 per cent of the top 3,200 positions were held by black Africans. The situation has improved since then, but not dramatically.

Changing the balance radically will be a slow process, because apartheid has deprived Africans of the experience they need to be appointed to senior levels.

Few ANC officials are qualified to run government departments - except in foreign affairs, where their years in exile will help - though some have recently been trained at British government expense. And the large pool of bureaucrats from black homelands provide few technically competent individuals - and far too many who rely on nepotism and corruption to survive.

With an estimated 15 per cent of South Africa's economically active population - and nearly one quarter of economically active whites - employed in the public service, its fate is central to the country's future.

A long queue of people snakes round the ground outside a polling station yesterday in the black township of Soweto near Johannesburg Associated Press

Election judge prepares for not proven verdict

By Michael Holman and Mark Suzman in Johannesburg

Shortly before South Africa went to the polls, the man responsible for the administration of the elections and for giving a verdict on their acceptability made a quip that could become prophetic.

What, Mr Justice Johann Kriegler, head of the Independent Electoral Commission, was asked, were his hopes and fears about the historic ballot? "I hope that it will go well," he shot back, "and I fear that it won't" - prompting laughter in which he joined.

Last night, the 62-year-old judge, a highly regarded and long-serving member of South Africa's appellate division, was at the heart of a crisis which, if unresolved, could see that fear realised.

It was not surprising that organisational problems would accompany the massive exercise, which involves more than 200,000 officials and 9,000 polling stations. But the critical issue, which will not readily be resolved, involves the validity of ballots which failed to have stickers attached carrying the name and logo of the Inkatha Freedom party, a late convert to the poll, and photograph of Chief Mangosuthu Buthelezi, its leader.

The contradictions and confusion surrounding the acceptability of votes cast using such ballots must to a great extent be laid at the feet of a man whose legal skills at times appear to have deserted him.

Yet his credentials for the task are impressive. No observer doubts his impartiality, having acted during a distinguished career at the bar for clients across the political spectrum, from the Rev Beyers Naude, the radical cleric who was in the forefront of Afrikaner resistance to apartheid, to the extreme right-wing AWB.

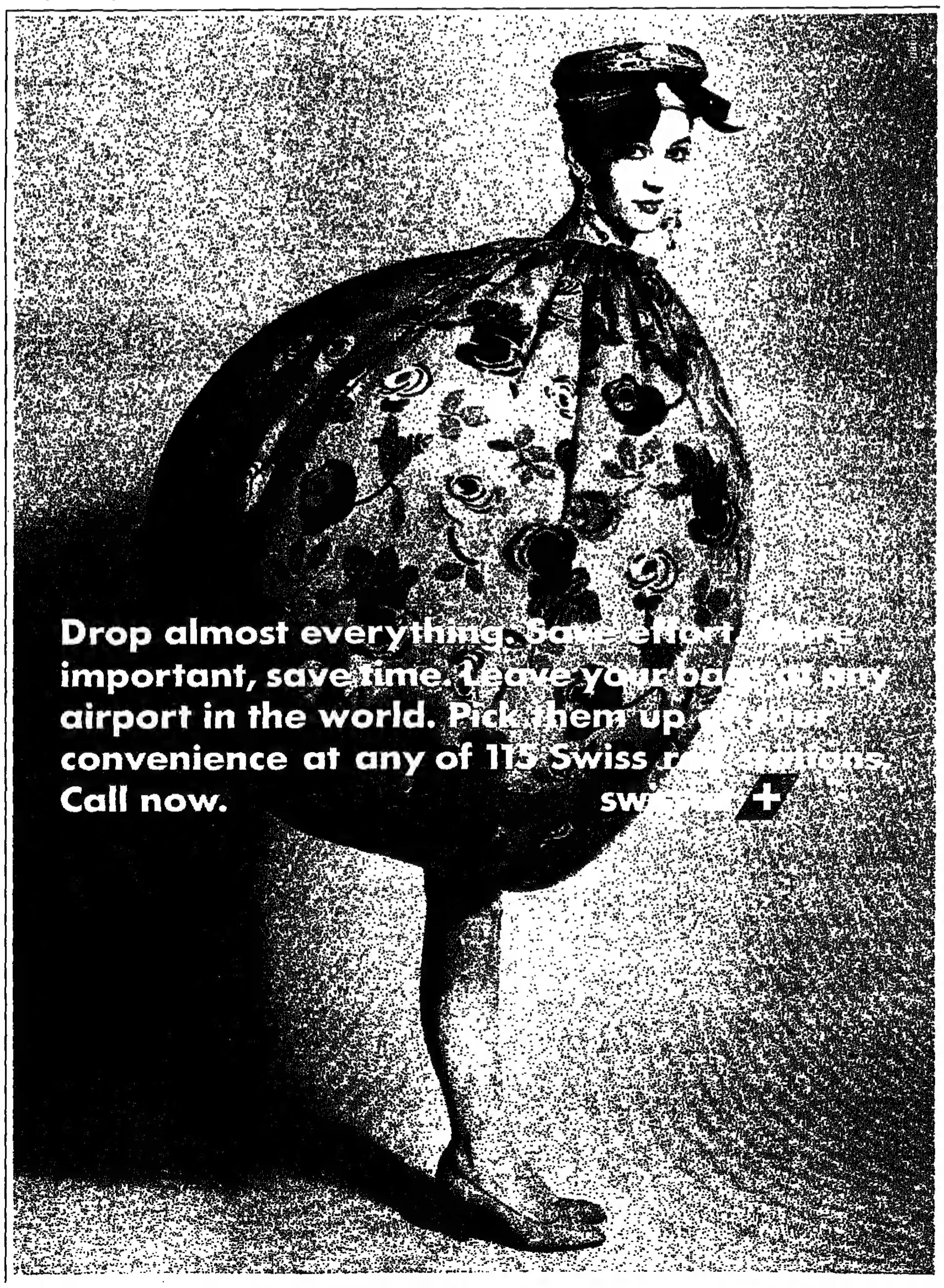
He took up the position of head of the country's Independent Electoral Commission last December, bringing to press conferences the persona of a slightly tetchy judge dealing with impertinent young barristers. But above all he has projected what seems to be an overriding determination to conclude that the election will be substantially free and fair.

Speaking in Brussels earlier this year he said: "Should we come, heaven forbid, to the conclusion that we cannot so certify [the elections substantially free and fair] our country will be plunged into disaster. Self-evidently that is the result we will strain to avoid with all we can muster."

Yesterday his suggestion that disputed papers could have what he called a "lesser value" in comparison to accepted votes produced widespread confusion. Determining this value, was, he said by way of explanation, "a quantity thing, a distribution thing, a percentage thing, a general pattern thing ... one will have to look at the thing from various angles to see what it does add up to."

In addition to sorting out the problems in balloting, Judge Kriegler will have to say whether the final outcome is free and fair.

If, as still seemed likely yesterday, he decides it is, some political parties may use his own convoluted words to dispute his pronouncement.



Mandela fulfils dream

Patti Waldmeir witnesses dawn at Inanda, Natal

Mr Nelson Mandela's long walk to freedom ended yesterday on the concrete verandah of a small rural secondary school in Natal, where he cast the first national vote of his 75 years, and fulfilled the dream of a lifetime.

In an emotional ceremony held just after dawn at the Ohlange High School in the black township of Inanda outside Durban, Mr Mandela repeated the eloquent words with which he addressed the court which in 1964 sentenced him to what were to be 27 years in prison: "I have fought very firmly throughout my life against white domination and I have fought very firmly against black domination ... I cherish the idea of a new South Africa where all South Africans are equal and where all South Africans work together to bring about security, peace and democracy."

The stately Mr Mandela, dressed in a simple beige shirt buttoned tight at the neck and casual trousers, flashed his radiant smile for the cameras as he held his ballot poised above the polling box for several seconds before dropping it in with the cry, "Going, going, gone."

None the less, the grey-haired African National Congress leader appeared visibly strained by the three-month election campaign. Surrounded by at least 20 security guards, he looked tired and drained, and every bit his age.

"This is for all South Africans an unforgettable occasion. It is the realisation of the hopes and dreams we have cherished over the decades: the dream of a South Africa that represents all South Africans. It is the beginning of a new era," he said afterwards.

Speaking outside in the school yard, the Mr Mandela repeated the message he stressed incessantly in the final days of campaigning. "We are very concerned about minorities, especially about the white minority," he said, adding in a radio interview only seconds after his vote: "We would like the white community to realise that we cannot build this country without them. We are appealing to them to regard themselves as an essential part of the transition" to democracy.

It was an appropriate end to a 75-year struggle to create a truly non-racial nation.

■ CENTRAL BANKS PUSHED TO CENTRE STAGE

Venezuelan policy under fire as governor and directors resign

By Joseph Mann in Caracas

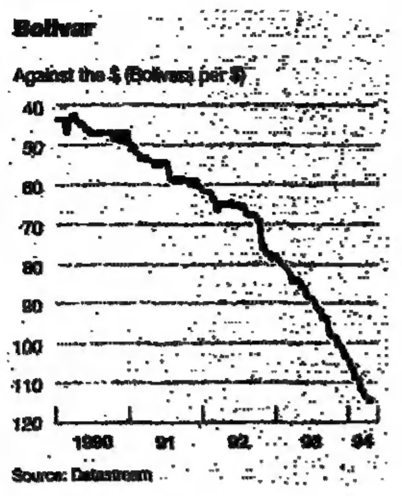
The administration of Venezuelan President Rafael Caldera is facing serious questions about the credibility of its monetary policy following the abrupt resignation on Tuesday of the president of the central bank, Mrs Ruth de Krivoy. Three members of the six-strong board of directors also quit.

The resignations have raised doubts about the future independence of Venezuela's central bank, which achieved a high degree of autonomy under a law promulgated only 16 months ago.

The reaction from bankers and economists yesterday was generally negative. "A lot of investors were sceptical about the Caldera government's economic programme even before this happened. Ruth de Krivoy's resignation under pressure is a serious blow to investor confidence," said an economist at a large investment bank in New York.

Mrs de Krivoy, a widely respected economist, was appointed to a five-year term as the central bank's chief executive by President Carlos Andrés Pérez in April 1992. She took over the bank in the midst of a political crisis and left as the Venezuelan economy, now in the second year of a recession, faces a host of problems.

Mrs de Krivoy and the other board members resigned because they felt the administration was trying to deprive the bank of its independent status. In her letter of resignation to President Caldera, the outgoing bank head said she believed "the autonomy of a central bank is indispensable for monetary stability, economic development and the welfare of the population."



Source: Datastream

"I do not wish to be an obstacle to the policies of your government," she continued. "But I cannot participate in actions that essentially violate the fundamental principle justifying my presence as head of the bank...my contribution has one limit: that of my personal convictions."

Over the last few days, the executive has pressed the central bank to participate in an agreement which included the obligatory reduction of interest rates on commercial loans every two weeks, and to eliminate high-yield zero coupon bonds which set the ceiling for commercial bank interest rates on loans. These moves are part of the administration's efforts to reduce inflation, which was 46 per cent in 1993.

But since taking over as the central bank's chief two years ago, Mrs de Krivoy allowed real interest rates to remain high in order to protect hard currency reserves. She argued up to the end that while high interest rates were painful for the domestic economy, they were necessary to avoid capital flight.


De Krivoy: quits in protest

Venezuela's gross international reserves fell by 14 per cent during the first quarter of this year, compared to a decline of only 4 per cent for full-year 1993. The failure of Banco Latino, the country's second largest bank, last January and an ensuing crisis in the financial system have contributed to Venezuelans' rush to buy dollars.

Mrs de Krivoy's departure halted, at least temporarily, an agreement announced last Sunday night by the executive branch to reduce commercial bank interest rates.

President Caldera, who began a five-year term last February, was highly critical of the central bank's policy on interest rates and its "crawling peg" devaluation of the Venezuelan currency, the bolivar, during the 1993 presidential campaign.

While he publicly supported the idea of an independent central bank, he apparently considered that the institution should work with the executive and that its policies on interest rates and devaluation should change.

The bolivar, which has been falling steadily against the dollar for several years, depreciated by 25 per cent in 1993, and has fallen by 9 per cent thus far this year.

Following the announcement of Mrs de Krivoy's resignation, officials of the Caldera administration tried to reassure investors and citizens in general by saying neither exchange controls nor a major devaluation were planned.

Taking over as head of the central bank, at least temporarily, is Mr Omar Bello, the bank's first vice-president and a veteran officer at the institution.

Mrs de Krivoy's departure places Mr Caldera in a quandary. If his appointment to replace her as central bank president is perceived as a personality willing to follow the executive line on monetary policy, investor confidence will fall once again.

If he appoints someone viewed as independent to restore confidence in the bank's autonomy, the government may find it difficult to influence policy in areas it considers crucial.

Ironically it was a respected executive from the private sector and a strong advocate of free-market policies, Mr Gustavo Roosen, who was chosen by President Caldera to pressure central bank officials on a host of delicate issues such as interest rates and devaluation.


Last survivor of five brothers, Mr Ed Nixon attends a memorial service for his older brother Richard in California. The former US president was buried yesterday at Yorba Linda, California, where he was born 81 years ago.

Mexico rides out volatile transition

Newly independent bank adheres to anti-inflationary policies, writes Damian Fraser

Mr Miguel Mancera, the head of Mexico's newly independent central bank, has had a testing month. In the four weeks since the bank won its autonomy, Mr Mancera has confronted exceptional volatility in Mexico's financial markets and has defended the peso from a threatened devaluation.

That the peso has so far survived the onslaught is in part due to the management skills of Mr Mancera and his colleagues. Working closely with the finance ministry, Mr Mancera let domestic interest rates rise sharply to 18 per cent last week, convincing investors of the government's commitment to a stable exchange rate and drawing in money from those who calculated rates had reached their peak.

This role is not new to Mr Mancera who ran Mexico's central bank for over 11 years before it was made independent. While Mexico has periodically suffered political or economic turmoil, Mr Mancera's advocacy of low inflation, and fiscal and monetary prudence has been unwavering, and much criticised by those who have argued for policies more conducive to economic growth.

A generation older then the rest of Mexico's economic cabinet, the 61-year-old Yale-trained economist was working in Mexico's central bank when the rest of the economic cabinet were just beginning primary school. He is known for his personal frugality, dislike of appearing in public, and methodical working habits.

Mr Mancera says policy during April would have been the same without independence since he enjoys a "perfect understanding" with the finance ministry. Over the past month he has tried to calm the jittery financial markets after the rise in US bond yields and political turmoil after the assassination of presidential candidate Luis Donaldo Colosio.

> Mancera is known for his frugality and methodical working habits

Measures included permitting the peso to weaken against the dollar to the limit of its pre-set band, spending central bank reserves, and raising interest rates.

Despite praise from the financial community, many businessmen complain that the policy of high rates is hurting economic growth, and believe a devaluation and lower rates may be in the eventual interest of the economy. Mexico's economy grew by just 0.4 per cent last year, in part because the government kept interest rates high to defend the currency from speculators, while the current account deficit reached 7 per cent of GDP.

Mr Mancera defends government policy as having brought inflation down to an annual rate of 7 per cent from nearly 160 per cent six years ago. He is convinced low inflation is vital for stable economic growth and in the best interests of the poor. He believes central bank independence will institutionalise a commitment to low inflation.

Under the constitution, the central bank is required to procure price stability as best it can, and is not obliged to lend money to the government at below market interest rates, thereby ensuring that an increase in public spending need not lead to an expansion in the money supply.

The terms of the governor and four deputy governors are fixed for six to eight years and staggered so as not to coincide with the president's.

However, by the fourth year of a president's office the president will have named three of the five bank officials, giving his nominees effective control of the bank. In Mexico, where the president rules almost like an absolute monarch, many are sceptical that the bank could withstand presidential pressure to soften monetary policy.

The Central bank's main weakness is that the finance ministry keeps control of exchange rate policy. The Central Bank therefore has to set interest rates so that the government can meet its exchange rate target.

Mr Mancera says that a potential conflict between exchange rate and interest policy exists in most countries with an independent central bank. The governor said that he is able to influence the inflationary consequences of a weak exchange rate by using the bank's legal powers to sell federal bonds as a means of mopping up excess liquidity.

Nevertheless, if the governing Institutional Revolutionary Party wins this August's presidential election, as seems probable, the possibility of a conflict with the executive branch is slight.

Mr Ernesto Zedillo, the PRI's presidential candidate, began his professional life working under Mr Mancera in the central bank, and rose to become Mr Mancera's principal economic adviser. Mr Mancera's son, Carlos Mancera, was, until November last year, Mr Zedillo's chief of advisers.

The leftist opposition has generally criticised central bank independence as undemocratic, although Mr Cuauhtémoc Cárdenas, the principal opposition presidential candidate has yet to take a public position on the issue. If Mr Cárdenas wins the election, he may find that Mr Mancera's control over monetary policy turns out to be his best defence against a financial crisis.

Income tax on the cards for Cuba

By Canute James in Kingston

Introduction of income tax and a reduction in state funding for a range of economic enterprises are among measures to be debated by Cuba's national assembly on Sunday. The special session, called in response to the deteriorating economy, will also review the effect of economic changes implemented over the past eight months.

Increasingly concerned about its budget deficit, the government announced a 50 per cent cut in the budget for the armed forces last month, saying the military should "cost the country as little as possible". Given the central role of the armed forces in Cuban politics, the reduction is a telling indicator of the nature of the economic problems facing the country, diplomats in Havana said.

Introduction of income tax is intended to recapture billions of pesos in circulation which government officials say are being used by Cubans to purchase hard currency. The government announced last year that Cubans were free to hold foreign currency.

The assembly debate will effectively be a continuation of the regular session which was held last December. That reviewed the government's more liberal attitude to foreign currency, foreign investment and increasing private and co-operative ownership of farms and a range of small businesses.

Since then, however, there have been signs that the island's economy is buckling. Economic problems have worsened over the past three years following the break-up of the Soviet Union, Cuba's main trading partner, and the failure last year of the sugar harvest which caused a shortfall in foreign earnings.

The assembly session comes a week after the government reorganised the administration of the economy, creating new ministries and suggesting a move away from central planning on which decisions have been based since the revolution 35 years ago.

The government has also adopted a more liberal attitude to exiles. A meeting in Havana last week attended by 200 leaders of exile communities concluded with a decision by the government allow all exiles to return to the island whenever they want.

However, Cuban-American leaders in Florida said yesterday they could not accept the invitation because they would be punished by the US government for violating Washington's economic embargo on the island.

Argentina and UK to hold oil talks

By John Barham in Buenos Aires

Britain and Argentina are to hold talks in July on joint oil exploration in waters surrounding the Falkland islands, two years after a previous round of oil talks collapsed.

A British official said negotiators would focus on the next phase of exploration. The Falklands' government plans a second licensing round for seismic explorations beginning in July and running until March 1995.

The Falklands selected two companies to carry out initial seismic surveys shortly after the 1992 negotiations failed. Argentina broke off talks after failing to agree on demarcation of Falkland waters bordering its territorial waters.

International oil companies say co-operation with Argentina is important, given the need for heavy investments in a disputed zone.

A UK official said successful joint management of fish stocks showed the sovereignty dispute could be put aside while both sides pursued practical interests, but Argentina's foreign ministry argues oil is different because it is a non-renewable resource, with important legal and tax ramifications. Both sides fear concessions over oil would imply recognition of the other's sovereignty claim.

The Falklands remain a fixation in Argentina, which still claims the islands, despite defeat in the 1982 conflict with Britain. President Carlos Menem says Argentina will "recover" the islands by the year 2000.

● Argentine security forces have raided a secret training camp in thick forest close to Buenos Aires used by paramilitaries linked to right-wing army rebels who have led four mutinies since 1987.

Relaxed banking rules due for early passage

By George Graham in Washington

Measures to allow US banks to open branches freely outside their home states could become law as early as next month after the easy passage of an interstate banking law by the Senate on Tuesday.

Similar legislation has already passed the House of Representatives, and, since neither chamber even required a voice vote on the once controversial issue, a final bill is expected to be ready for President Bill Clinton to sign before Congress breaks for the Memorial Day holiday at the end of May.

The US's patchwork of banking legislation has frayed at the edges over the years, and many of the restrictions on activity across state lines have already lost meaning.

All states except Hawaii already allow out-of-state holding companies to own a bank within their borders, but groups have to establish a separate subsidiary in each state, rather than simply opening a branch.

Automated teller machines already allow bank customers to draw money outside the state in which they have an account, but the new law would also enable them to make deposits or cash a cheque inside the bank.

"The lives of bank customers nationwide will improve considerably as a result," said Senator Christopher Dodd of Connecticut, who now supports the bill, although for years it was his insistence on attaching an amendment restricting banks' insurance activities that blocked the measure.

Leaders in both chambers have firmly kept the bill clean of extraneous amendments in an effort to ensure that it does not get bogged down again.

Although the Senate and House versions are similar in their general thrust, some differences remain to be reconciled before the bill can finally become law. One critical issue is the extent to which foreign banks will be allowed to open branches.

Current law allows a foreign bank which chooses not to set up a full US subsidiary to open a branch in one state only. The House version would allow it to open branches in more than one state, but this is firmly resisted by the Democratic majority in the Senate. Bankers in Kentucky are particularly agitated about the issue, and opposition is led by their Senator Wendell Ford, who is the majority whip.

The Treasury has urged Congress to allow broader foreign branching, arguing that US banks essentially have this right in the European Union under the "single passport rules", which allow a bank established in one EU country to open branches in all others.

Top US Haiti adviser quits

The US State Department's top adviser on Haiti is stepping down following a prolonged conflict with exiled President Jean-Bertrand Aristide over how to return democratic rule to Haiti, AP reports from Washington.

Mr Lawrence Pezzullo decided to resign after meeting US secretary of state Warren Christopher last Saturday, according to the State Department.

Mr Pezzullo is a former foreign service officer who was called out of retirement last year to become special adviser on Haiti.

Almost from the outset, his relations with Mr Aristide were strained by tactical differences.

Mr Pezzullo urged Mr Aristide to reach out to opposition forces in Haiti as a means of broadening his base with the aim of leaving the Haitian military increasingly isolated.

But Mr Aristide rejected such an approach. He believed the US should take the lead in arranging for his return to power. He has been a strong proponent of tighter economic sanctions against Haiti.

Several members of Congress' black caucus sided with Mr Aristide and urged that Mr Pezzullo resign, holding him responsible for the continuing impasse.

Fresh push to curb aid for shipbuilders

By Guy de Jonquières, Business Editor

The world's leading shipbuilding nations plan a final attempt in Paris next month to conclude an agreement curbing international subsidies after more than four years of negotiations.

The talks, which broke off acrimoniously in late March, will resume in the week of May 23 on the basis of a draft text prepared by the chairman, Mr Staffan Sohlman, Sweden's ambassador to the Organisation for Economic Co-operation and Development.

The negotiations have been given renewed impetus by the possibility that failure to agree would prompt the Clinton administration to back bills in Congress which would authorise US retaliation against ships built in subsidised foreign yards.

Retaliation, in the form of a ban on such vessels entering US ports, would severely disrupt maritime transport and could trigger an international trade war.

The seven delegations involved in the talks insist any agreement must be a comprehensive package deal. But though they have agreed some of its proposed elements – including an end to direct budgetary subsidies – they remain divided on several important issues.

One of the biggest breakthroughs to date has been acceptance by Japan and South Korea of western demands for an anti-dumping code, providing for penalties on shipbuilders which pursued "injurious pricing" strategies.

However, negotiators say a complex wrangle has developed over the procedures for settling disputes over alleged violations of the proposed subsidies rules.

The US, which exports few ships, wants strict procedures administered by an independent panel of judges. But its demand is opposed by other countries, which fear it could make it harder to sell vessels to US shipowners. A further stumbling block in the talks is the Jones Act, the long-standing US legislation which requires a fixed proportion of cargo passing through American ports to be carried in vessels built in US yards.

Though other delegations have pressed for repeal of the Jones Act, most accept this is politically unlikely and that, in any case, the legislation affects only a small fraction of the world's shipping fleet.

Several delegations say they are ready to settle for a US undertaking that tonnages covered by the Jones Act will not exceed recent levels. However, the European Union, under pressure from France, is calling on the US to improve its offer.

Some delegations suspect France of using the Jones Act as a pretext to try to torpedo the negotiations. They say that, without subsidies, most French shipbuilders could not compete with more efficient lower-cost yards, particularly in Asia.

The third difficulty is over a US demand for a provision in the proposed agreement to allow governments to require vessels financed by "home credit" schemes, which benefit their national shipping fleets, to be built in national yards.

Though other delegations blamed the breakdown of the negotiations in March on the last-minute tabling of this demand, most now seem less strongly opposed to it.

However, some say they are still concerned that its real objective is to enable the US to expand its merchant shipbuilding capacity by assisting the conversion of military yards to commercial purposes.

The negotiations, held under the auspices of the OECD, also involve Finland, Norway and Sweden.

Wellcome 'price cut' in Aids drug war

By Peter Wise in Lisbon

Wellcome has cut the price of its Aids treatment AZT by 56 per cent in Portugal, after losing a hospital contract to a Portuguese company marketing a cheaper version in a challenge to Wellcome's worldwide patents, the Portuguese company said yesterday.

Mr Augusto Paiva dos Santos, director-general of Farma APS, said his company had been awarded a contract to supply the Sao Joao Hospital in Oporto with 6,000 250mg capsules of Apo-Zidovudine, a form of AZT manufactured by Apotex of Canada, at 33 per cent below Wellcome's previous price.

He said that Wellcome had since lowered the price of Retrovir, the UK company's version of AZT and its second biggest selling drug, by 50 per cent and 56 per cent respectively in tenders to supply two other Portuguese hospitals.

Decisions on the contracts to supply the Joaquim Urbano Hospital in Oporto with 6,000 250mg capsules and the Sao Jose Hospital in Lisbon with 5,000 100mg capsules have not yet been made.

But Farma APS said its prices were lower than those tendered by Wellcome.

"The fact that Wellcome has lowered its prices to less than half of what its is charging in the rest of Europe shows that it must be making a fabulous profit on AZT," Mr Paiva dos Santos said.

His company was investigating the possibility of registering Apo-Zidovudine for sale in other European Union countries and in eastern Europe.

The Portuguese government has authorised the sale of Apo-Zidovudine on the grounds that AZT is a drug in the public domain and that Wellcome's application of Retrovir to treat Aids did not give it the right to prohibit the sale of other versions.

Wellcome has said it will challenge the authorisation as a breach of its patents.

End of an eastern love affair

Kieran Cooke detects Malaysian disenchantment with Japan

In the mid-80's Dr Mahathir Mohamad, Malaysia's prime minister, declared his country's "Look East" policy. If Malaysia was to reach its goal of being fully industrialised by the year 2020, said Dr Mahathir, it must learn from Japan. In particular it should make use of Japanese technology.

There are signs now that the Malaysian love affair with the Japanese way is ending. The main issue is technology transfer – or the lack of it – with attention focused on Malaysia's national car industry, one of Dr Mahathir's pet projects.

At the end of last week Proton, the country's car manufacturer, announced that by the middle of the year it would begin casting its own engine blocks. The move is seen as an important step towards more self-sufficiency at Proton.

More than 120,000 Protons are produced each year in co-operation with Mitsubishi of Japan. The first Proton rolled off the assembly line at the company's factory outside Kuala Lumpur in 1985.

Proton says domestic content of its cars is well over 70 per cent. However, the core technology and high-value items, including much of the transmission system, is still imported from Japan. Proton has been working with Mitsubishi for 10 years. Proton feels the Japanese have been too slow to transfer technology.

Mr Nadzmi Mohamed Salleh, a Malaysian who last year replaced a Mitsubishi executive as Proton's managing director, says that Proton does not have sufficient economies of scale to make 100 per cent local content a realistic proposition. "The costs involved would be too high," says Mr Nadzmi. "Instead Proton may well opt for global sourcing."

Mahathir: car industry a pet project

Next month Dr Mahathir will be making a private trip to France. It is believed the prime minister's main host will be Peugeot Citroen. The French car manufacturer has been cultivating contacts in Malaysia for several years.

For Proton the recent rise of the yen – and the depreciation of the ringgit, the Malaysian dollar – has given new urgency to the question of high-value Japanese imports.

Proton has been one of the success stories of modern Malaysia. More than 70 per cent of the cars on Malaysia's roads are now Protons. Production is being increased to 150,000 per year. Last year more than 17,000 Protons were exported, most of them to the UK where it is among the best selling cars at the lower end of the market. The success of Proton exports has been a cause of friction with Mitsubishi, as the Japanese car maker is concerned that the Malaysian car is eating into its own export markets.

After a decade in the fast lane Proton is facing a number of problems. Though the Wira, Proton's new model launched in the middle of last year, has given a boost to sales, the highly protected home market is at near-saturation point. This year a second car project, undertaken in co-operation with Daihatsu of Japan, is due to come on stream.

Late last year Proton announced it was expanding its sales in Europe. But those plans received a setback last month with the death of Mr David Brown, the British businessman who engineered the highly successful launch of the Proton in the UK. Mr Brown was to have taken a 55 per cent stake in a new Anglo-Malaysian joint venture company which would market the Proton in continental Europe.

"The ringgit has fallen by more than 6 per cent against a basket of currencies this year," says a Kuala Lumpur motor industry specialist. "That has helped Proton's exports. But its yen imports have become more expensive – that's why its vital that more technology is transferred from Japan. Either that or Proton has to find cheaper suppliers elsewhere."

The increasingly difficult relationship between Proton and the Japanese is part of a more general disenchantment between Malaysia and its powerful regional neighbour. The Japanese have been less than enthusiastic about Dr Mahathir's plans for the formation of a new trading body, the East Asia Economic Caucus.

Japanese companies like to maintain tight control over local ventures, and rarely opt for overseas stock market listings. Malaysian investors have been frustrated that they have not been given more chance to take equity in often highly profitable local ventures controlled by Japanese companies. Malaysians also say that Japanese companies frequently fail to promote locals to senior positions of responsibility.

Gatt acts to sweep up old disputes

By Frances Williams in Geneva

Gatt's anti-dumping committee yesterday adopted a controversial disputes panel report on Norwegian salmon only after the chairman said it did not set a legal precedent for future disputes.

The move reflects a drive by the General Agreement on Tariffs and Trade to clear old disputes before the new tougher disputes settlement procedure under the World Trade Organisation comes into effect next year.

The panel report in question ruled in late-1992 that the US had not complied with Gatt's anti-dumping code in putting duties of up to 32 per cent on imports of Norwegian salmon.

However, several signatories of the voluntary code, including paradoxically Norway itself, were unhappy about some aspects of the report's analysis.

They agreed to adopt the report only after assurances from Mr José Graca Lima of Brazil, chairman of the anti-dumping committee, that it did not apply to countries not involved in the specific dispute "nor does it represent binding legal precedents applicable to other disputes".

Gatt officials admit that the present disputes procedure has conflicting objectives in trying to settle trade rows by mutual agreement and developing Gatt case-law.

The WTO's semi-juridical disputes system will, by contrast, focus almost exclusively on securing conformity with strengthened fair trade rules.

Separately, the members of the anti-dumping committee agreed to set up a panel, under current procedures, to investigate a complaint by Brazil that US duties on imports of cotton yarn from Brazil violate Gatt rules.

Argentina may face sanctions

By John Barham in Buenos Aires

Washington has threatened Argentina with trade sanctions unless it introduces intellectual property protection laws, stalled in Argentina's Congress since 1991.

Mr Mickey Kantor, the US trade representative, told Mr Domingo Cavallo, Argentina's economy minister, who was on an official visit to Washington, that he would place Argentina on a US government priority list. This would lead to investigations into whether Argentina's laws damaged US companies, particularly pharmaceutical laboratories. If this was confirmed, Washington would impose trade sanctions.

Argentina's pharmaceuticals market has annual sales of $3bn and has grown rapidly in the past three years. Piracy of multinational companies' products has been estimated at $500m-$900m a year.

However, Mr Cavallo said the threat was "irrelevant and unilateral" and said Argentina would appeal against US measures to a panel of the General Agreement on Tariffs and Trade.

He added that Argentina would introduce legislation to conform to new intellectual property rules included in the Gatt's Uruguay Round.

Developing countries have a four-year grace period to bring their laws into line with new international minimum standards.

The government has failed to convince Congress to approve a bill first introduced in 1991 to replace its existing 1864 patent legislation. US officials claim that Congress has not passed the law because the government has not given it a high priority.

Local laboratories claim the new laws would raise drug prices and accused the US of "extortion".

BMW may seek Mexico partner

BMW is considering seeking a local partner with which to develop a planned assembly facility in Mexico and will make a decision by June, writes John Griffiths.

The German carmaker said it was "too early" to predict likely production volumes or employment levels, but confirmed Mexican reports that it intended to have the facility operational, assembling cars from kits, by mid-1995.

Its own projections of the investment involved in the plant and setting up a distribution network are understood to be much smaller than indicated by Mexican government sources, at around DM300m (£120m).

The company said the cars would be sold only in the Mexican market.

India opens highway investment

By Shiraz Sidhva in New Delhi

The Indian government is offering incentives to private foreign and domestic companies to invest $4.7bn in 27 projects to construct bypass roads, bridges and expressways in 16 Indian states. This is the first time construction of India's national highways has been opened to the private sector, as part of India's liberalisation efforts.

Foreign private investors will be permitted to hold 100 per cent equity and regardless of the size of the project, would be exempted from special clearances usually required from the government's Public Investment Board and the Cabinet Committee on Economic Affairs.

The Ministry of Surface Transport, which is offering the projects on a build, operate and transfer basis, says the government guarantees "a minimum reasonable rate of return" to investors, without specifying what rate would be considered reasonable.

The ministry has recently signed a memorandum of understanding with Infrastructure, Leasing and Financial Services, a Bombay-based construction company partly owned by ORIX Corporation of Japan, and the International Finance Corporation, Washington, to build a four-lane 10.14km asphalt-concrete road bypassing Panvel town on the Bombay-Pune national highway.

Toll rates applicable for each project would be decided in consultation with the government and the builder would be expected to operate the expressway for a period of 20 to 25 years.

Israeli companies look to Egypt

Israeli telecommunications companies, denied direct access to Middle East markets by an Arab boycott of their country, say they hope to use Egypt as a springboard to launch their products in the region, Reuter reports from Cairo.

Delegates from the six companies, in Egypt to attend a trade fair, said they were looking for partnerships with Egyptian companies which might produce their goods under licence for sales elsewhere in the Middle East.

Egypt is the only Arab state to have signed a peace treaty with Israel and is exempt from an Arab League boycott of the Jewish state.

Mr Haim Ashkenazi, an executive with the Israel Export Institute, said the companies were the first Israeli telecommunications companies to exhibit in the Arab world.

Mr Elisha Ben-Nachum, sales manager at cables manufacturer Teldor, said his company would be discussing possibilities of joint ventures with Egyptian companies.

The Arab boycott of Israel also blacklists companies with major investments in the Jewish state, but there have been signs that this "secondary" boycott is slipping.

Mr Ron Brown, US trade secretary, on a visit to the region in January, said a number of US companies on the boycott blacklist had been prominent exhibitors at a trade show in Riyadh that month.

Another Israeli company at the Cairo show said it was looking for joint-venture agreements with Egypt or other African countries to produce its emergency back-up generators.

One of the companies, national telecommunications operator Bezeq, is using the occasion to inaugurate a direct telephone line linking Israel and Egypt.

"This is a big breakthrough. It is the first direct link between Israel and an Arab country," said Bezeq official Mr Daniel Charbit.

The terrestrial fibre-optic line can carry thousands of calls between Cairo and Tel Aviv. At present calls have to be routed via submarine lines to Italy, Mr Charbit said.

Boardrooms retain 'old school ties'

By Richard Donkin, Labour Staff

Evidence that the old-school-tie approach to the selection of non-executive directors still persists among many of Britain's biggest companies emerged yesterday in a survey by a leading firm of accountants.

The report by KPMG Peat Marwick into the role of non-executive directors also found that many non-executives were not receiving vital information in spite of the recommendations of the Cadbury report into corporate governance.

Chairmen's appointments have traditionally drawn from the old-boy network whereas the Cadbury report suggested that non-executive appointments should be made via a nomination committee.

Evidence also emerged that the number of individuals with multiple directorships remained high even though the changing role of the job is creating greater demands on time and expertise.

The report, compiled from 235 responses to questionnaires sent to 430 of Britain's biggest companies, found that more than half of all non-executive appointments of directors surveyed were made by the chairman alone.

"It will be interesting to see if, in the future, the chairman's influence wins in this respect," said Mr Gerry Acher, KPMG's head of audit and accounting.

The report found that while companies were good at providing financial information to non-execs they often failed to provide other details.

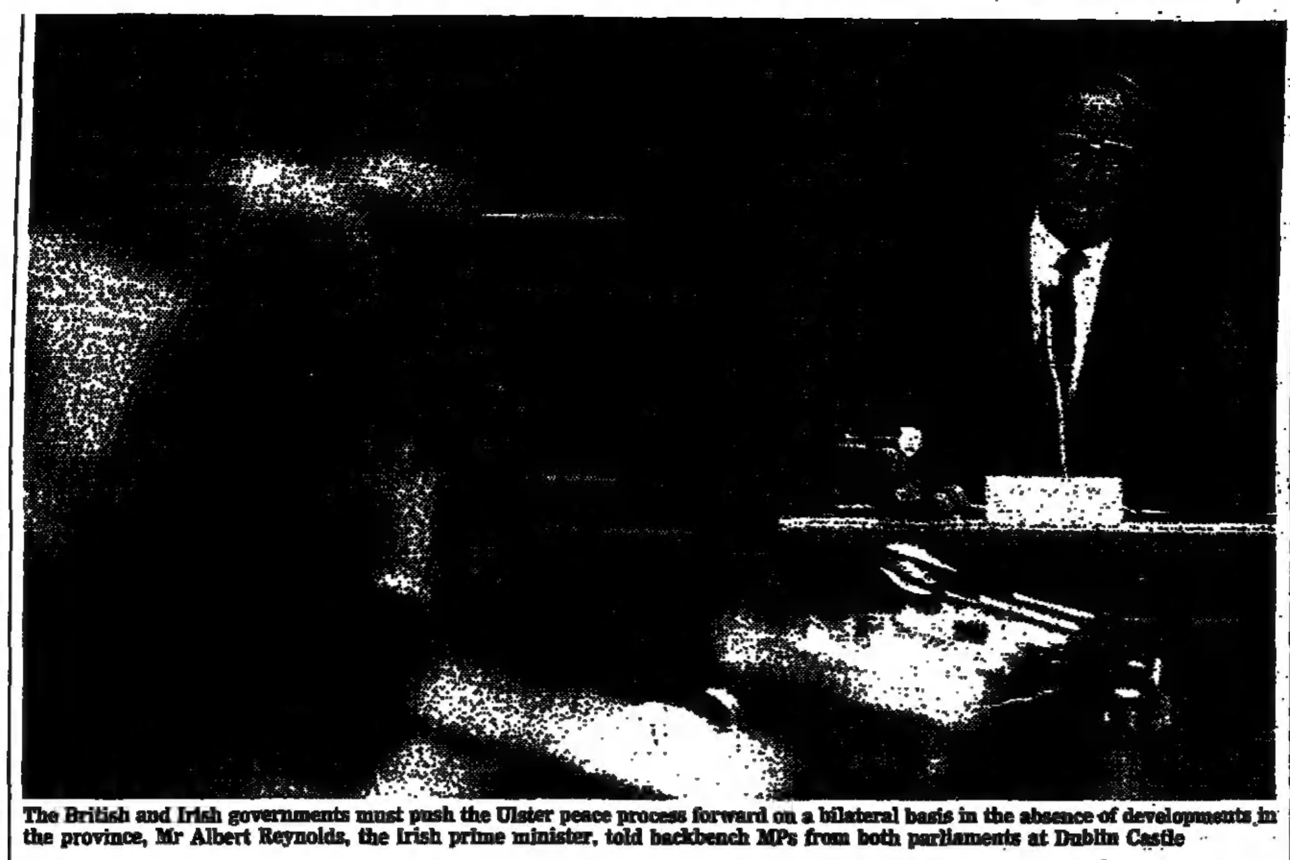
This was most evident in some of the newer, yet strategically important, non-financial areas such as customer satisfaction, quality and management performance. More than half the directors said they did not receive information on senior management appraisals, quality indicators or comparisons with companies recognised as best-practice leaders.

"There are clearly areas where matters of strategic importance and the receipt of vital, pertinent information need to be brought into line," said Mr Acher. "The non-execs' role should be to add to shareholder value rather than just protect shareholder value."

More than 60 per cent of respondents held more than three non-executive posts, 18 per cent holding more than five. Only 18 per cent held just one post. The highest number of directorships recorded among the replies was 13.

On average respondents were spending 20 days a year on the role and a third of this time was spent in preparation.

The survey indicated that women still have little impact on boardrooms. Compilers said female non-executives comprised less than 10 per cent of the named replies.



The British and Irish governments must push the Ulster peace process forward on a bilateral basis in the absence of developments in the province, Mr Albert Reynolds, the Irish prime minister, told backbench MPs from both parliaments at Dublin Castle

Gun dispute on Channel tunnel route

By Jimmy Burns

The operation of a full passenger service on the Channel tunnel route could face further delays because of an unresolved dispute between Britain and France over extra territorial police powers.

A series of meetings between UK Home Office and French ministry of the interior officials have failed to reach agreement over whether French police can carry their guns without restrictions throughout the tunnel link.

The cross-border powers of British and French police comes under the umbrella of a lengthy protocol agreement initialled at Sangatte in November 1991. It technically came into legal force last year.

The protocol gives extra-territorial powers of investigation, search and arrest to police officers of both sides in "control" zones at the international terminals in London and Paris, and in the shuttle terminals at Cheriton and Coquelles.

The British have agreed that French police may carry weapons when stationed at the fixed control zones at Cheriton. But they are resisting French demands that these powers be extended to officers moving between tourist and freight terminals at Cheriton, as well as on the through passenger trains arriving and departing at Waterloo.

Under a draft operational plan drawn up by Home Office officials, French police officers would be asked to deposit their guns and travel unarmed with their UK counterparts.

British officials fear the unrestricted movement of armed French police could lead to situations in which weapons are used, with potential for complex legal wrangles.

British police sources say there is also some concern that to give way on the issue would fuel growing demands by some members of the British police that they to be armed.

The French view was summarised by a police official: "A gun is regarded as part of the uniform. Not to be allowed to carry it is equates to a dereliction of duty."

Stars that shine in Brussels unseen at home

Kevin Brown on the image problem of British MEPs who enjoy a high profile in the European Parliament but are unnoticed in their own constituencies back home

Britain's 32 Conservative and 45 Labour members of the European parliament have an image problem. Few electors can name their MEP, and few bother to vote: the turnout at the last election in 1989 was the lowest in the European Union.

On current indications, that dubious honour will fall to Britain again on June 9, when voters will elect 84 MEPs to an expanded parliament. Barring an unexpected turnround, MEPs will continue to be the invisible men (and women) of British politics.

Cross the channel to Brussels and Strasbourg, the twin seats of the parliament, and the picture changes. There, Britain's MEPs are widely respected for their skills in exploiting the parliament's great and growing power. MEPs from both parties have been appointed to chair committees, or to help run the parliament as vice-presidents. No national delegation has a higher profile.

The contrast irritates MEPs. Most say they work at least as hard as MPs, commuting to parliamentary and committee sittings for 46 weeks a year, and handling around 50 constituents' inquiries a week on issues from customs problems to planning permission for second homes.

"I work far harder than I did as a businessman, and for far less reward," says a disgruntled Conservative. "The so-called European parliament gravy train is a myth. There is nothing glamorous about taking 150 flights a year."

The contrast also surprises continental MEPs such as Mr Klaus Hansche, leader of the German socialist delegation, who says the British have brought a unique combination of aggression, wit and procedural dexterity to the parliament. Mr Claude Cheysson, a French MEP who formerly served in both president Mitterrand's cabinet and the European Commission, says the British delegation is "by far the most effective" in the parliament.

Behind the contrast lies a paradox: Britain's MEPs may be ignored at home, but they take the parliament more seriously than almost any other delegation. Drawn from the mainstream of their parties – Labour academics and trade unionists, Conservative professionals and businessmen – they have built on the traditions of Westminster to exploit the parliament's rules to the full.

Their influence can be seen clearly during the parliament's monthly plenary sessions in Strasbourg. Superficially, the parliament makes a sharp contrast to the overcrowded, claustrophobic chamber at Westminster. There is none of the passionate argument which characterises the Commons, and very little drama. Voting, electronic and virtually instantaneous, rarely follows debates, underlining the point that the two are only loosely connected.

Yet the British have shown that there can be spontaneity. Many MEPs were surprised by their use of time set aside for questions to the commission to make detailed points rather than broad statements. Many now follow suit.

The British are also assiduous attenders. Britain's unique single member constituency system means prolonged absences would be quickly exploited by political opponents. Continental MEPs elected under the list system can afford to spend more time on domestic politics.

But there is more to it than just turning up. Most MEPs say the influence of both both Tory and Labour MEPs has increased as the number of Euro-sceptics has fallen. Labour now fields less than half a dozen sceptics, isolated within an overwhelmingly pro-European party. "These are yesterday's battles," says Mrs Pauline Green, the British Labour leader.

The issue is more controversial for the Conservatives, who have formed a parliamentary alliance with the European People's party of continental christian democrats. Publicly, Conservative leaders distance themselves from the EPP's determined federalism. Privately, Conservative MEPs admit that the delegation is overwhelmingly integrationist.

Sir Jack Stewart-Clark, Conservative MEP for East Sussex since 1979 and a vice-president of the parliament, says the party is being "held to ransom" by a handful of Westminster Euro-eceptics.

Asked whether he is a federalist, he says: "If anybody came to me and said I had gone native I would say they need their heads examined." He pauses for thought before adding: "If we want to be a coherent unit, we have got to be more unified."

Once, many of Britain's MEPs saw the job as a training ground for Westminster. Few now do, although three Labour MEPs who have won Commons seats are leaving the parliament in line with party rules banning the "dual mandate."

Many more, like Mr David Martin, Labour MEP for Lothian and vice-president for institutional affairs, say the parliament offers MEPs the chance to play a crucial role in scrutinising Europe's institutions. "This is not a rubber stamp parliament," Mr Martin says. "We do actually change and influence the progress of legislation in way that the average Westminster backbencher could not hope to do."

● A Conservative MEP is threatening to ask the European parliament to investigate the Department of Trade and Industry's administration of a European Union structural fund for customs brokers.

The inquiry would be the first by the ombudsman's office, which is being set up under the Maastricht treaty on European union. The ombudsman, who will have wide powers to investigate EU institutions, will be appointed after the European parliament elections on June 9.

Mr Christopher Jackson, MEP for East Kent, says there have been virtually no payments from the scheme, set up in 1992 to help customs brokers to diversify following the implementation of the EU single market in January 1993.

Satellite dishes replace corsets in retail price index

By Graham Bowley

Mutton, candles, tram fares, trolleybus fares and backlacing corsets have gone. Satellite dishes, camcorders and condoms have arrived.

These are just some of the changes since the retail prices index started life as a cost-of-living index 80 years ago, a birthday to be celebrated by the Central Statistical Office today.

In 1914 the index was an estimate of the effect of price rises on the welfare of working-class people, so food, rent, clothing, fuel and light made up the largest part of the basket of goods used.

Since then it has become more sophisticated as the way the British live and spend their money has changed.

Eighty years ago clerks using pens and inkwells compiled the index of just 80 prices. Women could not vote, Asquith was prime minister, Lloyd George his chancellor, and Blackburn Rovers won the English first division championship.

Today about 400 civil servants using computers collect 150,000 prices each month in 180 areas.

"The RPI is about real people and real spending habits," said the CSO. "It can tell us a lot about what life and prices were like 80 years ago and how society has changed."

The index underwent its first facelift in 1947, becoming more a measure of what the average family was actually buying rather than what the government thought working-class people should spend their wages on – alcohol was not included.

So in came radios, cycles, prams, iron bedsteads, galvanised buckets, custard powder, cinema and football match tickets, a pint of beer and a nip of whisky.

The update in 1956 saw brown bread, pet food, televisions and washing machines join the index. But out went candles, rabbits and distemper.

In 1962 sherry and refrigerators were added, and roasting chicken replaced boiling fowl.

After that the index was revised annually. The 1970s saw the addition of continental quilts, MOT test fees, canteen meals, yoghurt and mortgage interest payments.

During the 1980s, frozen ready meals, video tapes, CDs and low-alcohol lager were added to the index.

The latest changes have seen lard, tinned rice pudding, kippers, the St Christopher pendant, men's vests and the seven-inch single record dropped, while in have come cook-in sauces, microwave ovens and videotapes.

In 1914, 60 per cent of people's spending was on food. Now it is 14 per cent, rivalled in importance by motoring and leisure.

The index has charted a fiftyfold increase in prices over its lifetime. What cost half a crown in 1914 now costs more than £6.

Britain in brief

Malaysia signals over contract ban

The Malaysian government believes that the British press has stopped writing negative stories about Malaysia. This emerged yesterday in comments made by deputy foreign minister Abdullah Fadzil Che Wan and reported in Bernama, the country's national news agency.

In the strongest suggestion yet that Malaysia will eventually lift a two-month-old ban on public contracts for British companies, he said the lack of recent critical reports in the British media was "a good beginning".

"If the British media continue to be responsible in their reporting [about Malaysia], there may come a time when we will consider lifting the ban," he was quoted as saying.

"If they [the British media] choose to do the thing we expect them to do, we would reciprocate with the right things. We are sensible, practical and pragmatic people."

But he said the government would decide to lift the ban only when it was sure the British media had stopped writing offending articles. "It would be pointless if the government lifts the ban now, and then the same thing happens again," he added.

Lautro sets penalty record

Lautro, the regulator for the life insurance industry, once again set a new record for the penalties it inflicts on life insurers for failing to meet its standards, by imposing a £300,000 fine on Premium Life.

The fine follows a second routine inspection visit carried out by the regulator last spring, at which Lautro's enforcement staff found that Premium Life had not acted to correct problems identified at a first visit the previous year.

Particular concerns were the failure to monitor effectively both the direct sales agents and a number of the firms of appointed representatives through whom Premium life sells its products; as well as a failure to check that its direct sales staff were competent and of good character.

Oxbridge pessimism

More than half of final-year students at Oxford and Cambridge universities are so pessimistic about employment prospects that they have not applied for any jobs at all.

The survey of 1,500 final-year students at the two universities found that only 46 per cent of Cambridge final-year students, and 53 per cent of those at Oxford, had applied to employers. Almost a quarter had decided to "take a year off" after graduating.

"Milk round" presentations to undergraduates, still held by more than 100 employers at the two universities, appeared to be ineffective, with less than 40 per cent of students attending any events.

Euro-manifesto published

The opposition Labour party put the finishing touches to a manifesto for the European elections which will endorse the party's commitment to a minimum wage but leave working hours to employers and unions.

Labour hopes the manifesto will destroy Conservative claims that it is committed to enforcing a 35 hour, four day week and scrapping Britain's veto on controversial legislation. The manifesto, drawn up by a committee led by Mr Neil Kinnock, the former Labour leader, will be published at the beginning of the party's Euro campaign, three weeks before the June 9 election.

Plan for Scots share trading

A pilot scheme to develop a new mechanism for trading in the shares of small companies could get underway in Scotland later this year, as part of the plan launched on Tuesday by the London Stock Exchange.

The stock exchange has accepted an offer from Scottish Enterprise, the official economic development body, and Scottish Financial Enterprise, which represents the Scottish financial sector, to try to create a junior market for smaller companies in Scotland to meet shortfalls in its treatment of small companies.

Jobs go at GM-Isuzu unit

About 300 jobs – 13 per cent of the workforce – are to go at IBC Vehicles, the Luton, Bedfordshire-based joint venture between General Motors and Isuzu of Japan which makes the Vauxhall/Opel Frontera four-wheel-drive leisure vehicle and Midi panel vans.

The job losses, intended to be all voluntary, mainly reflect sharply falling demand for the Midi van and what the company said yesterday is a continuing need for productivity improvements. Currently the plant employs 2,250.

However, still-rising demand for the Frontera means that plans to move to single shift working from the current double dayshift system have been cancelled.

About 80 per cent of IBC's output is exported, and the Midi in particular has been hit by one of the worst slumps in continental Europe's commercial vehicles market since the second world war.

Black workers get TUC seats

Three seats on the ruling general council of the Trades Union Congress, the umbrella body for UK unions, are to be set aside for representatives of black workers, it was agreed yesterday.

Union leaders passed the rule change to allow the 46-member council to be extended to include a black woman and a black representative from both a large and a small union.

Digital to move PC unit

Digital Equipment plans to move its personal computer manufacturing operations in Scotland to a separate facility close to its existing plant in Ayr. Contrary to reports in the Scottish media, this will not represent an expansion of operations, according to Mr Enrico Pesatori, head of Digital's personal computer operations worldwide.

Mr Pesatori, who this week became Digital's number two executive with responsibility for worldwide sales and marketing and all Digital's computer products, said the company was "rationalising" its personal computer operations in Scotland.

Digital's Ayr plant, one of two that the company has in Scotland, produces personal computers and servers for the European market.

Regulator warns on gas

The regulator of the gas industry yesterday warned the Department of Trade and Industry that she was ready to publish a key consultation document on the future of the UK gas market if the government continued to hold it up unnecessarily.

Ms Clare Spottiswoode, Ofgas director-general, said she would rather rewrite the document herself than see the delay continue beyond the local elections on May 5.

The document will lay out the structure of the liberalised gas market in the wake of last year's monopoly inquiry into British Gas, and pave the way for a new bill regulating the industry. Mr Michael Heseltine, trade and industry secretary, originally promised it for early this year, but it has been delayed for several months for reasons which have not been disclosed.

One theory is that the document is so sensitive politically that the government wants to postpone publication until after the May 5 poll.

Row over energy trust

The growing row about the lack of funding for the government's Energy Saving Trust was inflamed further yesterday when government officials said that the shortfall might reach £300m a year by the end of the decade.

Senior civil servants said that Ms Clare Spottiswoode, director-general of Ofgas, the gas regulator, was within her powers in refusing to allow the costs of the trust's projects to be passed on to gas customers.

MANAGEMENT: MARKETING AND ADVERTISING

Competition laws and recession are helping retailers' own-label goods, writes **Emiko Terazono**

Japan's brands feel the pinch, too

Daiei, Japan's biggest supermarket chain, has *for years posed a* challenge to the country's *old-fashioned retailing industry*, as it strove to remove long distribution lines and networks of wholesalers and allow more flexible retail prices.

Although it has toned down its revolutionary stance since Isao Nakauchi, its chairman, joined the Keidanren league of business leaders, the retailer has been the catalyst of the recent "own label" brand boom.

As in the west, retailer brands, which *are not only cheaper than* national brands but now also of high quality, are known as private label or no-name, and their pricing, *shelf* space and promotion are entirely in the hands of the retailer.

Although the concept was adopted by many Japanese supermarket chains during the late 1970s, the number of items was limited, and *they were never* a threat to national brands. *During the consumer boom of* the 1980s, Japanese shoppers became even more brand conscious than ever, forcing many retailers to scale down their private-label lines.

However, Daiei says private brands are entering a new age. Partly this reflects the recession *but also supermarkets have* gained purchasing and distribution power by expanding. The Daiei group has more than 6,000 retail outlets and holds 3 to 4 per cent market share of most products. Other big supermarket chains such as Jusco and Ito-Yokado are also seeing *increasing private-brand sales.*

The yen's recent appreciation has also *helped*, allowing retailers to buy cheaper imports for their private-label lines.

This growing trend hurts national brands which are already feeling the squeeze due to the tightening of the laws promoting competition. *In the past* manufacturers would threaten to stop supplies if a retailer failed to apply the retail price "suggested" by the manufacturer. However, US pressure to give *more power to Japan's Fair Trade* Commission, the anti-monopoly watchdog, helped clamp down on such practices.

Recently, Daiei's private label video tapes, sourced from a Korean manufacturer, have forced TDK, the leading video tape maker, to abandon the low end of the domestic market.

Meanwhile, national-brand orange juice makers were compelled to discount their products after Daiei's orange juice, imported from Brazil, was sold at half *the price of the* leading labels.

The private brand boom is also opening the door to overseas manufacturers which lack the ability to set up distribution networks in Japan. Agfa, the German-Belgium photo film maker which recently agreed to supply Daiei with its private brand photo film, says the market has been impenetrable. Since the brand is virtually unknown in Japan, the company says *supplying Daiei will be good* exposure.

During the 1980s Japanese shoppers became even more brand conscious than ever

Similar changes have also been seen in the higher end of the retail market, where leading department stores are creating lower-priced goods. The recent decline in consumer spending has hit high street retailers the hardest, and *to bring back shoppers they feel* the need to differentiate themselves from their peers.

Isetan, which has recently opened a store in London's Piccadilly, offers shoppers its "Only I" brand in its Tokyo outlets, covering a range from fashion items to food, developed *originally* or *together with famous* designers. The retailer says its "Only I" brand totals 8 per cent of total sales, and it hopes to bring the figure up to 20 per cent in the near future.

But *while* the penetration of private brands is growing, analysts *estimate* that retailer labels still account for less than 10 per cent of the retail market.

"We've nurtured our brand, putting in money for research and development and marketing, and consumers want to pay for the certificate of quality," says Fuji Photo Film, which holds 70 per cent of the Japanese market. Kao, a leading household goods producer, says marketing costs *account for about 10 per cent of* its retail price, but plays an *important* part in providing shoppers with information about the product.

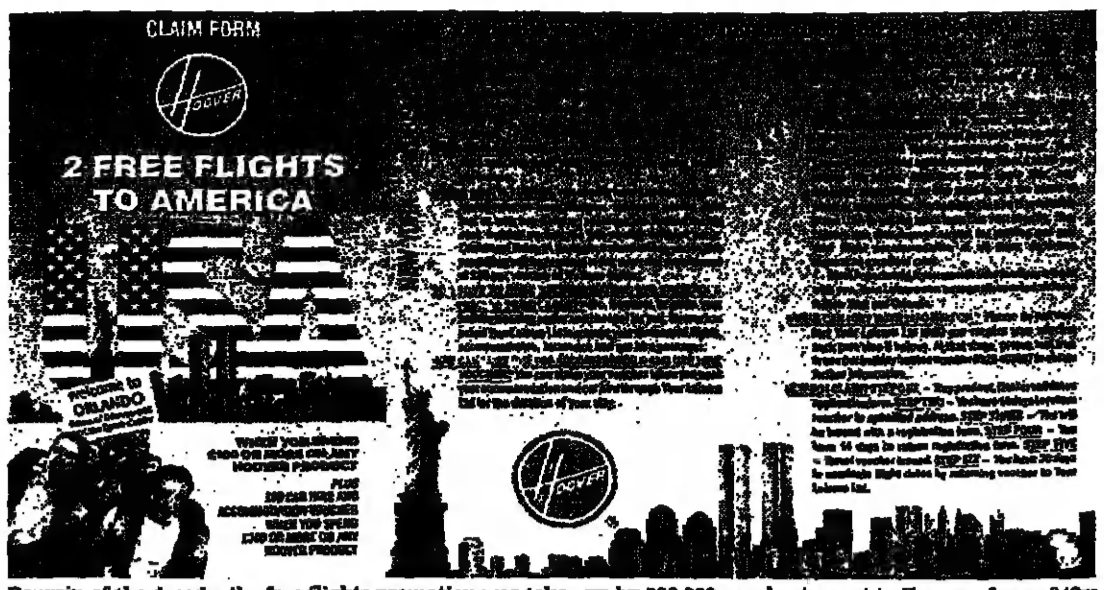
One major problem, say the retailers, is the decline in choice due to the spread of private-brand items on the shelves. Takanobu Seko, chief of foods merchandising at Daiei, says its private-label orange juice accounts for 80 per cent of its total orange juice sales, *and it has to cut down on the shelf* space of national brands. But *retailer Jusco says its own label's* current level of 6 per cent of total sales is just the right balance.

Nevertheless, manufacturers are aware of the shift in power to retailers. Some are rushing to form alliances with large-scale *retailers to remain in favour and* secure shelf space.

Kao formed a marketing alliance with Jusco last year in which they connected their computers to eliminate order and sales slips, and agreed to co-operate on marketing.

But Japanese manufacturers are also seeing their influence weakening due to international *retail alliances. Retailer* Ito-Yokado recently announced it had agreed a tie-up with Wal-Mart, the leading US discount retailer, to buy Wal-Mart's own-brand products.

And while until now most private brands have been products such as foods, household goods and clothing, retailers *say they* want to expand their range. "It would be nice to have our own consumer electronics line," says Atsushi Yamashiro at Jusco.



Bargain of the decade: the free-flights promotion was taken up by 220,000 people at a cost to Hoover of over £48m

After the dust has settled

Roland Adburgham and **Diane Summers** look at the impact of Hoover's ill-fated free-flights promotion

For well over half a century *Hoover has been the* generic term for a vacuum cleaner. However, *after* more than 18 months of being *linked constantly to the phrase* "free-flights fiasco", the name may now be as readily associated in some minds with a disastrous sales *promotion.*

Last week Maytag, Hoover's US *parent company, disclosed that the* ill-fated promotion had cost the company more than £48m – more than double the sum originally feared when *Maytag* took stock of the damage early last year.

The promotion which caused all the trouble closes this week. In reality, Hoover will feel the reverberations of its free-flights offer for some time to come. There are also signs that consumer attitudes have hardened towards "free offers" in general, with companies more cautious in their approach to sales promotions of every kind.

The problem for Hoover started in autumn 1992 when it promised customers who spent at least £100 on a Hoover product two free air tickets to continental Europe or the US. *From the customers' point of view*, it seemed the bargain of the decade. Demand was such that Hoover, which employs 3,500 people in the UK, had to step up production of vacuum cleaners which were just over the £100 threshold.

It rapidly became clear that Hoover had grotesquely underestimated the take-up of the offer. Thousands of customers were infuriated by *delays in obtaining flights. Maytag* intervened. Three senior executives lost their jobs and a taskforce, at its peak employing 250 people, was set up.

Peter le Conte, chairman of the Institute of Sales Promotion (ISP), says that Hoover could have done "a lot more a lot earlier" when it became clear the promotion was going awry.

"*Perhaps instead of wriggling, it* would have been better to have come clean and try and do something else," he says. Le Conte suggests, for example, that the company might have been able to fulfil its obligations on flights over a period of years.

The offer itself was flawed, from *the first, he adds*: "*In my book it* doesn't stack up to be able to buy a product for £100-£200 and fly to America for significantly more than the cost of the product you purchased."

The sheer scale of the take-up of the promotion has been breathtaking: Hoover says 220,000 people *have now flown or are booked on* flights up to June. The taskforce is now winding down.

"By the end of this month, or by the end of June, Hoover will have fulfilled its commitments and obligations," says Hoover spokeswoman, Caroline Knight.

Not so, claims a group of dissatisfied consumers which has organised itself as the Hoover Holiday Pressure Group. Last week three leaders of the group flew to Maytag's headquarters in Iowa accompanied by boxes containing what the group *said were 7,000 letters of complaint*, and on Tuesday the group's representatives spoke at the company's annual general meeting.

The group has yet to decide whether it will pursue legal action in the High Court in London. Hoover has already faced about 70 cases in small claims courts, all of which it *has defended, and about one* in five of which it has lost.

The Advertising Standards Authority (ASA), the advertising watchdog, is currently investigating seven consumer complaints and the ISP has also asked the ASA to examine whether the promotions industry's voluntary code of practice *has been breached.*

The code sets out, in general terms, promoters' responsibilities not to disappoint consumers and to make realistic calculations of the likely response to a promotion. However, according to Keith Richards, a barrister at the Consumers' Association, the code lacks teeth. The association, which is still dealing with complaints from dissatisfied Hoover customers, would like to see the ASA, or a similar body, having the power to fine companies which breach the code.

"I'm *sure consumers are now* shaken and will not be so readily *willing to be taken in by sales* promotions," says Richards.

Le Conte agrees that the Hoover case has "caused people to be more cynical, which is extremely unfortunate". But he says the ISP has seen a big upturn in companies seeking legal *and copy advice before* they go ahead with promotions. "Everybody *is* super-aware that promotions that go wrong can seriously damage your health," he says.

Hoover denies that any long-term damage has been done either to sales or to the company's image. Says Knight: "Customers are able to *differentiate* between a quality product and, regrettably, a flawed promotion. Our sales figures indicate that the brand has not suffered and we have maintained market share."

There does not appear to be any evidence that Hoover sales have been damaged. Scottish *Power*, one of Scotland's largest electrical retailers, says there was a temporary dip in Hoover sales after the offer, which was promoted particularly hard in its territory and provoked a great deal of adverse publicity.

It may be, though, that this dip *was caused by a glut of second-hand* vacuum cleaners on the market, as people disposed of machines purchased only to fulfill the conditions of the promotion. Whatever the reason, sales soon recovered, says the retailer.

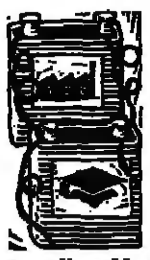
Hoover *even* had enough confidence last year to offer a new travel promotion and *could do so again* in the future. Says Knight: "Travel remains a very key motivator in sales promotions."

Although the company must be assuming the worst is over, it looks likely that the consequences of the offer will drag on for months, if not years. In the longer term it can only hope the "free-flights fiasco" will be a relatively short-lived association and that Hoover will mean vacuum cleaners for at least another 50 years.

TECHNOLOGY

Italian industry and universities are coming together as the state loosens its grip on research planning, writes **John Simkins**

The personal touch



The tourist authorities at Massa, on the coast of Tuscany, and the port of Marina di Carrara *a few miles* north, suffer from different aspects of the same problem. The currents are denuding Massa's beach of sand while filling Carrara's harbour with deposits.

When Massa heard the port had to be dredged, it expressed an interest in having some sand back. But was it polluted? A study by the Pisa Research Consortium concluded that at 3m down the sand was perfectly suitable for sunbathing.

The consortium is one of nine attached to universities set up in the 1980s to help meet a need not fully catered for in Italy's highly centralised and bureaucratic research system: to transfer innovative technology from universities to industry. Francesco Archetti, general director of the Milan Research Consortium, describes them as "merchant banks for research, setting up design projects which people in universities carry out".

His consortium is, however, directly involved in a project called *Improd, which has Ecu5.5m (£4.3m)* of funding and comes under the European Union's Esprit information technology research initiative. In collaboration with research bodies and companies including SGS-Thomson, the French-Italian group *which is the world leader in* integrated circuits, the consortium's computer scientists are developing a tool to provide built-in quality. The consortium believes it improves on existing programs in that it forecasts out-of-control situations and diagnoses where the manufacturing process is going wrong.

The Improd approach has involved applied research, with consortium staff working on shifts at the Milan plant of SGS-Thomson, which is sufficiently pleased with the project to have introduced the second version of the technique at its factories worldwide. The tool is being refined a third time and could eventually be introduced at all European semiconductor plants.

The Pisa and Milan consortiums each have an annual budget of L5bn (£2.1m) and were set up by IRI, the industrial state holding company, and the National Research Council (CNR) which is the biggest of the public-sector research bodies with more than 250 units, about 100 of which are inside universities.

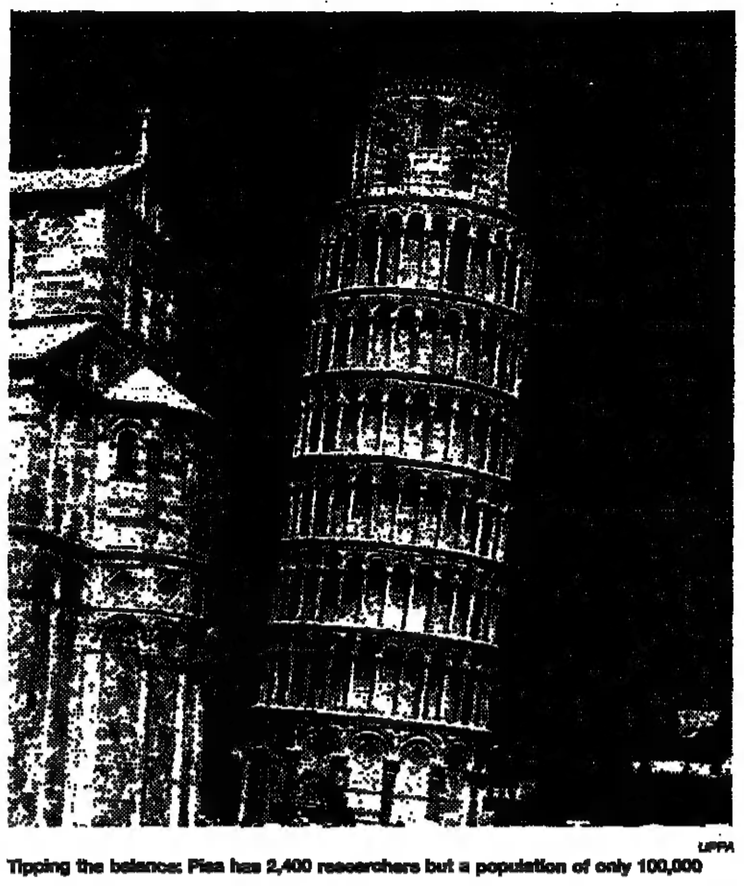
The state plays a bigger role in research planning than in most OECD countries and the most common complaint is about excessive bureaucracy. "Italian researchers are very aware of the legal framework within which they operate and can quote the reference numbers of a wide range of laws," notes a recent British Council study.

But in the same way that the country's dominant state-controlled industry is being unwound by privatisation, a little freedom is filtering into the academic system. This year, in line with reforms set in motion by Antonio Ruberti, former universities and research *minister* and now EU education commissioner, universities will be handed control over their own budgets, which will force them to face tough spending choices.

Moreover, a university's base-line funding could be affected by the ministry's view of its efficiency, including its research performance. This implies a departure from the traditional *a pioggia* approach to *research funding in which* resources are distributed like a shower of rain, evenly but thinly, with insufficient attention paid to the respective merits of projects and sparse evaluation of results.

The reforms should encourage stronger ties between universities and industry, which are weak compared with the rest of northern Europe, at a time when Italy is trying to tackle its budget deficit. "This should produce an electric effect but I don't think it has sunk in yet," says a foreign observer.

One university rector who is aware of the challenge is Luciano *Modica, at Pisa. "We can't hope any* longer that the money will just arrive. We must contact industry and offer our services." Research contracts at Pisa, including the consortium, amount to only 3 per cent of the university's budget. "This is too little," says Modica. "It ought eventually to be 15 per cent."



UPPA

Tipping the balance: Pisa has 2,400 researchers but a population of only 100,000

The irony is that Pisa is overflowing *with researchers – there* are 2,400 in a town with a population of 100,000. Besides the university and *consortium, there is a cluster of* CNR units and the elite college of Scuola Normale Superiore founded by Napoleon. One three-year course at the college for science graduates is sponsored by the chemicals group Montedison and ENI, the state energy group.

Within the consortium, besides the environmental technology centre which conducted the Marina di Carrara study, there is a space technology centre which, together with the aerospace company BPD, is developing advanced thrusters for space propulsion.

"Because of its futuristic character, this project could not have been undertaken in strictly industrial surroundings," says Mariano Andreucci, head of Pisa Research Consortium.

One approach Pisa university intends to follow is to compete for big contracts attracting public funds, such as the Mediterranean basin environmental programme. Also, it will offer its laboratories as incubators to small companies developing products. On another *front, at the request of the Fiat* motor group, the university is setting up a training course for using supercomputers in simulation tests.

One reason why university research has had a largely academic orientation, says Modica, is because *contact with industry was felt to be* the domain of CNR. Indeed, the five-year *progetti finalizzati* – targeted projects – chosen by CNR remain a main point of contact between researchers and industry.

But CNR operates within a bureaucratic straitjacket typical of a public-sector research system which benefits big companies familiar with red tape. Small enterprises rely more on the constant dynamic of Italian business – personal contact. This throws up centres of excellence and, as one professor put it, makes the Italian research picture *maculata*, or non-uniform.

The personal touch is likely to remain the main lubricator, even given reforms. "Our visiting cards are our graduates," says Modica. "They often return to Pisa and say: 'Our company needs this.'"

Next week: South Africa

Digital dream come true

Xerox is hoping for a document 'highway', writes Andrew Fisher

Documents are going digital. Electronic printing "on demand" is likely to become as common in offices, factories, universities and libraries as voluminous files of paper and shelves of books are today. Some companies already save time and money by storing, sending and printing their information digitally.

Xerox, the US document processing company, has even invented a new term *for this. Just as people* are getting to grips with the information superhighway, it has come *up with the notion of the* document superhighway. There are even "on ramps" and "off ramps", in the form of equipment such as document scanners and printers, to link users to the new digital communications networks (the data highways) being set up worldwide, notably in the US.

As with many announcements in the computer and electronics world, the message Xerox sought to put across in New York last week *was somewhat overwhelmed* by the breathless show business nature of its presentation. It mixed in news about improved equipment, software to integrate the stages in the life of a document from creation to printing, and alliances with other companies to help develop the manufacturing and operating standards for future products and services.

Beneath the hype, though, Xerox's basic message was simple: that the worldwide users of the many billions of business, government, educational and other documents would increasingly be able to collect, store, distribute and print them electronically where, when and in what form and volume they pleased – "the ability to plug in and publish anywhere and everywhere," as Peter van Cuylenberg, Xerox executive vice-president, puts it. This would mean big savings on logistical and transport costs, which R.R. Donnelley, the US commercial printer, says can account for more than half the cost of a document.

"Today," *adds* van Cuylenberg, "you can pick up and telephone anywhere and call anywhere else. It should be the same with documents and publications." But there is a long way to go before this digital dream is realised and the offset printing industry loses large chunks of business to electronic techniques. Current digital *technology allows only black and* white printing with colour highlights, though Xerox says colour is on the way; full offset quality (using plates and ink) will still be demanded by many document users.

Xerox recognises this. "They're not going to roll over and play dead," says Paul Allaire, the group's chairman, about the offset printers. "We understand that." *Even so, it intends* to capture as large a slice as possible of the section of the offset market which could eventually go digital. This amounts to some $93bn (£64bn) worldwide, according to a study by the US Department of Commerce and Gartner Group, a consultancy.

Electronic printing 'on demand' is likely to become as common in offices and libraries as files of paper and shelves of books are today

While commercial book printing could also become digital eventually – some educational publications are already printed this way, especially in the US – the main switch from offset is expected to occur in the more mundane area of business forms, training manuals, brochures and newsletters. Offset printers will still compete for this business, as will other companies in the digital document business such as Hewlett-Packard and Kodak.

Document users who have started taking the digital route have achieved significant savings. Tektronix, *the* Oregon-based computer graphics, video system and *measurement company, can* now print its complicated product manuals electronically at a day's notice compared with up *to* 28 days by conventional methods. It can insert changes more easily and its whole printing operation runs in line with the product manufacturing process.

At the Los Angeles county health department, responsible for *six* hospitals and 50 clinics, annual savings of some $220,000 have been made by moving to digital methods. Massachusetts-based Technical Documentation Publishing saved 26 per cent of the cost of one job for a client wanting bulky files sent to Europe; it sent them electronically to the UK for digital printing.

The industry buzzword for all this is "connectivity". John Seely Brown, Xerox's chief scientist, describes it as "taking *the sides* off the boxes [the high-speed document scanners, storage devices and printers] and making the machines truly modular". Towards the end of 1994, it will sell *new* software called DocuSP (document services platform) to integrate the boxes and link them with *personal* computer-based desktop publishing operations.

Looking to the future, Xerox is entering into alliances with more than 50 information technology concerns to speed the development of new open systems which can be used by all equipment and software suppliers.

It also announced a link-up with *AT&T in the US* to enable document data to be sent along telecommunications lines. Similar deals are being made with Belgacom, the Belgian telecommunications operator, and PTT Telecom Netherlands.

Yet all the digital expertise in the world will not help if document users cannot keep a close eye on the growing mass of information bombarding them. Xerox has thus evolved new ways of viewing large amounts of data so that items of varying importance and relevance can be seen together without cluttering up the screen.

Its Information Visualizer, based on scientific and psychological research, will enable users to call up files and keep them in context. One method already in use is the "cone tree" on which file names can be identified *as this is* rotated, then pulled out to examine data. Another is to put file names on a computerised wall which can be moved to view items of both central and peripheral interest.

Seely Brown, who also heads the group's Xerox Parc research unit, believes such technological changes will help *take* the growing chaos out of office work *by* making complex equipment easier to use. "I have the feeling that technology is finally getting powerful enough to get the hell out of the way."

PEOPLE

From one privatisation to another

AEA Technology, the newly created arm of the Atomic Energy Authority which is to *be privatised later this year,* has its first chief executive.

He is to be Peter Watson, the British Rail main board director for engineering. Before joining BR in 1991, Watson spent most of his career at GKN, the engineering group, where he rose to be head of research and development, and *ran two operating divisions.*

Watson, 50, was selected because of his combined experience of science and business, as well as his knowledge of both public and private sector companies.

According to Sir Anthony Cleaver, AEA chairman, "We *have a unique opportunity to* create for Britain a flagship science and engineering services company, and we needed someone with the right credentials to help realise that vision." Meanwhile, Watson believes that AEA is capable of "being a leader in the world" as a provider of high technol*ogy services.*

Though the sale of AEA Technology is expected to realise about £200m, decisions have still to be taken on the form of its privatisation.

Vice-Admiral to steer BSI

Retired Vice-Admiral Sir Neville Purvis has been appointed chief executive of the British Standards Institution.

Sir Neville served until February as Chief of Fleet Support in the Royal Navy. BSI says Sir Neville has "extensive experience at senior management level in a complex and diverse organisation like BSI".

The BSI has been without a chief executive at the bridge since last year when Michael Sanderson stepped down after 18 months over what the BSI called a "deep disagreement on important matters of policy and management". The BSI will not expand on the dis*agreement.*

BSI's problems came to a head last November when a row with its members turned down plans to strengthen the powers of the directors and to double directors' fees.

Sir Neville said yesterday that the BSI had faced "problems of communication rather than substance". *He said the* BSI was an important conduit between industry and the international organisations where many standards are now agreed.

■ Douglas Kinloch Anderson, chairman of Kinloch Anderson, has been appointed president of The ROYAL WARRANT HOLDERS ASSOCIATION.

■ Angus McIntosh, director of research consultancy at Richard Ellis, has been appointed visiting professor in property development and asset management at the UNIVERSITY OF SALFORD.

■ Gordon Paul has been appointed chief executive of *THOMSON's business* education and information group; Robert Kiernan is appointed md of Thomson Corporation Publishing, and Stuart Garner is appointed chief executive of Thomson Regional Newspapers.

■ Sandy Robertson, *formerly* md of Irish Carton Printers, has been appointed chief executive of UK Corrugated and the Cundell Group, part of JEFFERSON SMURFIT GROUP.

■ Peter Swinburn, sales md for Bass Take Home, has been *appointed customer services* and sales director for BASS BREWERS.

■ Robert Bailey, director – sales, David Gosnell, director – procurement, and Bill Winthrop, director – internal *services, have been appointed* to the board of H.J. HEINZ.

■ Alan Mackinnon, formerly marketing director of Wardle Storey, has been appointed vice-president, sales and marketing Europe, for GUILFORD Europe.

■ Proteus International, a UK biotechnology company that *uses computers to design drugs,* has appointed Jurek Sikorski as business development and marketing director.

Biotechnology companies usually spend many years developing products before they can be sold, and Sikorski's appointment reflects Proteus' confidence that some of *its 30 development pro*grammes will come to fruition shortly.

Ten products are scheduled to be in clinical trials or the veterinary equivalent by the end of the year. The first product, an *anti-diarrhoea* treatment for cattle, should be on sale later this year, says Proteus.

Sikorski, 42, comes from healthcare group Smith and Nephew, where he was inter*national* marketing director. Previously, he worked in marketing for Wellcome Diagnostics and UK biotechnology company Celltech, where he was chief executive of a US subsidiary called Boots-Celltech Diagnostics.

Sweet taste in the mouth for Malik-Noor at Regina

Shiraz Malik-Noor yesterday completed his victorious return to power at troubled royal jelly company Regina by being appointed chief executive; Monday's extraordinary general meeting had put him back on the board.

Paul Geoghegan, the chairman who fought valiantly to keep Malik-Noor away from the company at which he [Malik-Noor] is major shareholder, has stood down.

He has been replaced by Guy Neely, a former finance director at Glaxo and treasurer of the Mercers Company, who was voted onto the board at the tumultuous EGM.

Malik-Noor had called another EGM in order to propose the removal of Geoghegan and finance director Tony Shakesby from the board, but this has been cancelled and Shakesby will remain.

Finance moves

Europay International has recruited Jim Rafferty, the director of payments services at Royal Bank of Scotland, to *strengthen its presence in the* UK. Rafferty will take up the post of general manager for the UK/Ireland region.

Rafferty spent nine years at the Royal Bank, working on computer and technical operations before becoming managing director of group services, and then moving to *become director of payment* service in 1991.

Europay International is the European arm of MasterCard, and licenses cards held by 94m customers in Europe.

■ Rodney Schwartz is joining PARIBAS capital markets to head its financial institutions *group in the investment* banking department. He moves from Lehman Brothers, Europe, where he was md and co-head of equities since 1991; before that he was an analyst of European banks for Paine Webber.

■ David Plucinsky, formerly ceo of Hoare Govett, has been appointed senior vice-president and director of operations and systems at FIDELITY BROKERAGE.

■ David Parrish has been appointed director of finance and operations at FIRST MORTGAGE SECURITIES.

■ Young Han Kim has been appointed general manager of the *London branch of* SHINHAN BANK; Sung Jong Kim has returned to hq in Seoul.

■ Michael Lucas, formerly chairman and ceo of The Network, has been appointed *director of* institutional sales, North America, for STANDARD CHARTERED Equitor *Group.*

■ Andrew Waldman (below), chairman of Switch debit card scheme UK, has been promoted to the new post of director of card services at The ROYAL BANK OF SCOTLAND.

هكذا من الاصل

هكذا من الاصل

Cinema/Stephen Amidon

Buddha from Seattle

Bernardo Bertolucci has always been fascinated by [illegible] arising [illegible] meets East, whether it be the [illegible] of an anglicised Chinese Emperor [illegible] American expats adrift in the Moroccan desert. Now, with his sumptuous *Little* [illegible] this thematic concern becomes [illegible] more explicit as the Italian director abandons the [illegible] slant of his recent work to depict an attempted merger of the [illegible] cultures.

The film concerns a nine-year old Am[illegible] bo[illegible] (Alex W[illegible]) who is suspected by Buddhist monks [illegible] being [illegible] reincarnation [illegible] a recently [illegible] lama (Ying Ruocheng) [illegible] from Bhutan [illegible] in order [illegible] vince his parents (Bridget Fonda [illegible] Isaak) that he should [illegible] allowed to return to the monastery to see if he truly does possess the blessed soul. Not surprisingly, the wealthy yuppies resist the idea at first, though after suffering personal loss they agree to take the boy East for the spiritual examination.

Bertolucci's story [illegible] the [illegible] what might have been [illegible] intriguing film. [illegible] all, what [illegible] do if four charming, saffron-robed monks showed up on your doorstep claiming your child [illegible] minor deity? Send them packing? [illegible] proof? [illegible] possibility [illegible] saving [illegible] boarding school? [illegible]

The dramatic [illegible] rich, and the film comes [illegible] life [illegible] tolucci explores [illegible]. Unfortunately, he then proceeds to add long, digressive sequences dramatising the life of Siddhartha (Keanu Reeves), the young prince who became the Buddha. While these lyrical passages are often spectacularly filmed, their schools programme tone saps the film of its dramatic strength. By the end, when the true nature of the boy's soul is revealed and the old lama is tossed into the cosmic recycling bin, it is hard to feel any emotional connection with either of them. That is the problem with tackling the universal – you lose the personal. And while abandoning the personal may be what Buddhism is about, there is little room for it in screen storytelling.

*

Deadly Advice calls itself a black comedy, though a more appropriate colour would be drab gray. Former *Blackadder* director Mandie Fletcher's first feature deals with a bookish wallflower (Jane Horrocks) who decides [illegible] kill her domineering [illegible] (Brenda Fricker) on the strength of advice given [illegible] her by the ghosts of [illegible] such as Dr Crippen and Jack the Ripper. The body count escalates as the locals become suspicious, until the once retiring Horrocks stands ready to join the company of serial killers who have been haunting her.

Although the film's premise is ripe for dark laughter, Fletcher and writer Glenn Chandler have trouble raising even the lightest chuckle. Instead of the delirious unpredictability and cheery nihilism of previous British black comedies such as *Kind Hearts and Coronets*, we are instead left with a cosily inoffensive little picture that refuses to challenge either itself or the audience.

LITTLE BUDDHA (12)
Bernardo Bertolucci

DEADLY ADVICE (15)
Mandie Fletcher

[illegible] BLEEDING (18)
Peter Medak

MOTHER'S BOYS (15)
Yves Simoneau

ACE VENTURA: PET DETECTIVE (12)
Tom Shadyac

There is nothing cosy or inoffensive about *Romeo is Bleeding*, Peter Medak's woefully misguided attempt to venture into the mean streets that belong to Martin Scorsese and Abel Ferrara. Gary Oldman plays a corrupt New York policeman in the pay of the mob. When they order him to murder a renegade hitwoman (Lena Olin), he unwisely falls in love with her instead, putting his job, marriage and life in dire jeopardy. By the time the smoke clears there are countless victims, none in worse shape than our credulity.

Hilary Henkin's absurd and pretentious screenplay was once chosen by a leading magazine as one of the "Ten [illegible] Unproduced Scripts in Hollywood", which makes you think that, until recently [illegible] Tinseltown knew what it was doing. For his part, Medak seems to believe that if he throws enough [illegible] and blood at us we will not notice the mess. None [illegible] the actors fares very well, although commiseration must be extended to the usually fine Olin, who spends the entire film wearing Wonder [illegible] and little [illegible]. Even after losing her arm she still has to play the bimbo.

For its first half hour, [illegible] *Boys* promises to be the sort of serious family drama Hollywood is reluctant to make these days. [illegible] concerns a feckless woman (Jamie Lee [illegible] who comes back to her family after having abandoned them without explanation three years earlier. Her husband (Peter Gallagher) is none too happy about her return, especially when she announces that [illegible] to resume mothering their three sons. But there is little he can legally [illegible] to stop her, even [illegible] she shows herself intent on wrecking [illegible] relationship with his new girlfriend.

Early [illegible] the director, [illegible] Simo[illegible] sketches this uneasy [illegible] relationships with [illegible] particularly in the scene where Curtis performs a mock-innocent striptease [illegible] back the affections of her estranged 12-year-old boy. But the film soon becomes a preposterous thriller, culminating in a final scene in which half the cast dangles [illegible] the edge of a Californian cliff in a Volvo.

I am not sure what it says about the state of modern cinema when the most accomplished film on offer in [illegible] week is *Ace Ventura: Pet Detec*[illegible] but [illegible] cannot be good. This is [illegible] sort [illegible] shaggy dog film that some people love, while the rest will be left slack-jawed in wonder that such daftness ever got made. The convoluted plot of dolphin-napping is little more than an excuse for the antics of the American comedian Jim Carrey, undoubtedly one of the more original talents to hit the screen of late. With his rubbery face and cartoonish voice, Carrey is like a manic blend of Pee Wee Herman and Lassie. His Ace Ventura only takes on cases involving animals, drives with his head out the side window and keeps a flap on his freezer door so his pet penguins can get in and out. When his admiring girlfriend says that he must really love animals, he answers: "If it gets cold enough." A must for pet owners everywhere.

Keanu Reeves as the prince who becomes the Buddha in Bertolucci's latest spectacular

Ballet

Phoenix Dance Company

Phoenix [illegible] Company has so much in [illegible] favour – splendid dancers; enthusiasm; a devoted public – that it is sad [illegible] find these advantages [illegible] than well [illegible]. [illegible] fault, I suspect, [illegible] in the choreo[illegible] material that the company choses, and also in a doctrinaire attitude to the fact [illegible] being [illegible] dance troupe.

The ensemble [illegible] one of the [illegible] triumphant justifications for dance in secondary [illegible]tion. In the early 1980s, Harehills [illegible] in [illegible] part of its curriculum. Three Harehills boys decided [illegible] make dance their career, and Phoenix resulted, growing in skill, in size, in public acclaim, and acquiring women members [illegible] the years passed. [illegible] and attainment have been real [illegible] thrill[illegible]. But [illegible] the years I [illegible] choreography, in the main, has [illegible] behind [illegible] dancers' abilities.

Even half-way decent choreography [illegible] premium, and the programme which Phoenix offers [illegible] to [illegible] always with indiffer[illegible] dances, the [illegible] minimised, trapped in [illegible] typical [illegible] performers. They [illegible] vastly better than [illegible] material, [illegible] the identities their choreography imposes on them – notably in a dire piece by Donald Byrd – show them as [illegible] rather than the artists [illegible] proudly should be. They [illegible] best challenged by Darshan Singh Bhuller's *Heart of Chaos*, which deals [illegible] emotionally and physically brutalising [illegible] of boxing [illegible] the men [illegible] positive characters.

I [illegible] to suggest [illegible] instead [illegible] always [illegible] new and [illegible] ill-conceived work, [illegible] acquire [illegible]lished or unjustly neglected repertory pieces from [illegible] greatest names of modern [illegible]. They [illegible] the [illegible] needed to [illegible] Graham [illegible] Taylor or Tharp, and might acknowledge British dance's debt by presenting work by Robert Cohan. The image of Phoenix proposed by Donald Byrd's *Fatal Strategy* is so blatant, and ultimately so vulgar in its admixture of bad ballet and strutting, that we ought not to leave the theatre with this as our final view of the ensemble. (Its score, [illegible] Mio [illegible], is also a [illegible] assault on the ear-drums).

Pamela Johnson's *Face* [illegible] *own Face*, which [illegible] the programme, comes burdened with a note about blackness, but the dance neither identifies nor comments upon this in any cogent fashion. We merely see admirable dancers posing on handsome metallic screens (by Christiane Ewing) and indulging in predictable "modern" activity.

I admire Phoenix and respect [illegible] attainments too much to want anything but [illegible] for its dancers. The troupe's identity should not [illegible] on leopard-skin knick[illegible] and gimcrack sexuality but on the grandest [illegible] modern dance, [illegible] company's rightful heritage.

Clement Crisp

[illegible] until April 30.

The Proms plan a nostalgic centenary [illegible]

The 100th season [illegible] the BBC Proms opens on July [illegible] and yesterday director [illegible] Drummond [illegible] a programme wallowing in nostalgia and fascinating oddities. This is not a time for ambitious new works (they come in 1995, when pieces have been commissioned from 18 composers including Berio, Birtwistle, Elliott Carter, Steve Reich, Maxwell Davies, and Henze): the only major premiere [illegible] John [illegible] "The Apocalypse" on August 14, an ambitious two hour work.

Instead the heroes and heroines of Proms Past are honoured. Among the more interesting concerts is the re-creation, on July 16, of a typical Prom of the turn of the century: the programme of September 6 1900, consisting of 17 [illegible] including patriotic Boer War songs such as "When the Boys come Home".

Eight [illegible] pay tribute [illegible] Proms personalities, including [illegible] founder Sir Henry Wood; Basil Cameron; Constant Lambert; Malcolm Sargent and more. There will also be 68 performances of works which received their British premieres at the Proms, an extraordinary list including Mahler symphonies; Tchaikovsky's First Symphony; Sibelius' "Karelia Suite"; and Rakhmaninov's Piano Concerto No 1.

Old traditions have been revived, such as a Wagner night; a Viennese night; and the Beethoven symphonies played in chronological order. Heather Harper comes out of retirement to sing on July 19; Ida Haendel, who made her Prom debut in 1937, plays Britten's violin concerto on July 18 in front of the Queen, who is making her first appearance at a Prom; and on July 22 Bernard Haitink recreates the programme which marked his Proms debut in 1966.

As well as the biggest music festival in the world the Proms is the most successful, with 83 per cent audience capacity last year. Yesterday John Drummond paraded the amazing statistics: 42,000 works performed in 5,400 concerts over the century, with Wagner receiving almost 4,500 performances, 2,000 more than Beethoven. Sir Henry Wood conducted on almost 27,500 occasions, a long way ahead of Sir Malcolm Sargent with 2,400 Proms. And Wagner's overture [illegible] "Tann[illegible]" [illegible] the [illegible] performed work: it has been played 280 times.

Antony Thorncroft

Opera/David Murray

Lively new cast for Figaro revival

At the [illegible], Covent Garden Johannes Schaaf has [illegible] his 1987 production of Moz[illegible] *Le nozze di Figaro*, this time with [illegible] largely new cast. It makes [illegible] rewarding evening: as [illegible] whole, a creditable [illegible] than [illegible] red-letter one, but with enough very good things to give substantial pleasure.

Among those things are most of [illegible] comic and expressive touches that Schaaf has lavished upon the action, with eager compliance from his actors. He began his career as a straight theatre director, and [illegible] shows. The Act [illegible] bedroom-scene is stuffed with bright, characterful [illegible] might think that lily-gilding, but it [illegible] a long time since I saw this [illegible] sympathetically milked for its comic potential.

Schaaf does however succumb to an illusion rife among modern producers, which is that you can stretch Mozart's rapid-fire recitatives indefinitely, and even leave silent gaps in them to [illegible] funny [illegible] business. That is wrong, as Schaaf's Act 1 proves; he leaves so many holes in the musical texture that the "real" [illegible] begins [illegible] sound like interpolations. There is [illegible] reason [illegible] doubt [illegible] Mozart expected most of his [illegible] passages to run *fast*, and to inflate them [illegible] to spoil his music-theatre proportions. This [illegible] hour evening would [illegible] 10 [illegible] 15 minutes, [illegible] Schaaf's [illegible] into Mozart's real-time score.

A vulgar reason [illegible] hastening [illegible] this *Figaro* – vulgar in [illegible] sense that it is a bit stupid to go to *Figaro*, an ensemble-piece [illegible] *excellence*, [illegible] of [illegible] performance – [illegible] in the name-part young Bryn [illegible] is memorably good. Though [illegible] like [illegible] friendly, dishevelled bear, in the style [illegible] Gérard Dépardieu, his reactions and [illegible] are quickly transparent: venomous rel[illegible] in "Se vuol ballare", fine comic timing, [illegible] full-blooded romantic baritone cannily reserved for [illegible] right places later.

Plenty of feeling too, [illegible] diction, and he is nifty on his pins (Romayne Grigorova's choreography is a model of pretty tact). But socia[illegible] Figaro [illegible] in [illegible] void; fortunately, [illegible] has a sharp match in Jeffrey [illegible] first-rate [illegible] – [illegible] panache and preening style, underpinned by [illegible] *loutishness*.

[illegible] women [illegible]. The best Susannas seem to control the action from start to finish, [illegible] Sylvia McNair's [illegible] too cultivated and shy to [illegible] that; crucially she lacks Sus[illegible] spirit, though she sings [illegible] melting "Deh vieni". Similarly, Mon[illegible] Bacelli – whose youthful reputation [illegible] preceded her [illegible] appearance [illegible] – is a [illegible] fetching "Voi che sapete" comes [illegible] to compensate [illegible] her watery, over-subtle "Non [illegible] più": [illegible] the honestly wracked [illegible]

As [illegible] unhappy Countess, McNair's younger American colleague [illegible] Brewer [illegible] a maternal figure and [illegible] her [illegible] in diva-style. [illegible] gives [illegible] a nasty hangover for her [illegible] appearance, [illegible] a continuing [illegible]holic [illegible]. In principle, his emphasis upon her guilty attraction to young Cherubino – which [illegible] librettist da Ponte [illegible] play down, against [illegible] original [illegible] – [illegible] plausibly right, [illegible] with [illegible] Bacelli's bantam-sized, [illegible] Cherubino stretched upon [illegible] Brewer's ample nightgowned [illegible] it becomes too inappropriately [illegible] belief.

Della Jones is [illegible] sparky [illegible] justifies [illegible] extraneous Act 4 aria, [illegible] Philip Doghan's *Don Basilio* [illegible], though [illegible] his slimy, whey-faced blandness is irreproachable. Gwynne Howell, John [illegible] Deborah [illegible] and [illegible] veteran Federico Davià [illegible] a [illegible] crusty son-of-the-soil gardener, Antonio) are fine. [illegible] Hartmut Haenchen keeps sound tempi, points [illegible] orchestral [illegible] is generously [illegible]tive to his singers, stopping just [illegible] of full, long-sighted authority.

Xenia Hausner's surprising [illegible] – everything happens under a painted, symbolical Baroque canopy-ceiling – [illegible]. The surtitles [illegible] mingy, and seem to [illegible] every [illegible] has enough ground-level [illegible] do [illegible] any translations [illegible] all in some places: not true, [illegible] course. Yet none [illegible] much; [illegible] *Figaro* will [illegible] very well [illegible] to [illegible] miraculous, [illegible]haustible opera, or as a fresh reading for [illegible] hands. [illegible] 30 when he [illegible] it.

Sponsored (1987) by [illegible] in repertoire until May 25

INTERNATIONAL

ARTS GUIDE

BARCELONA

Palau de la Musica Sat evening, Sun morning: Gary Bertini conducts Barcelona City Orchestra in symphonies by Mozart and Mahler (268 1000)

BERGAMO

The annual festival at Bergamo and Brescia opens tomorrow at Bergamo's **Teatro Donizetti** with a performance of Bach's Matthew Passion by Drottningholm Baroque Ensemble conducted by Eric Ericson. The festival runs till June 11, with instrumental soloists including Uto Ughi, Natalia Gutman, Stanislav Bunin, Ivo Pogorelich and Ton Koopman (Bergamo: [illegible]: 030-375 7974)

BOLOGNA

Teatro Communale A new production of Verdi's *I Lombardi*, starring Ruggero Raimondi and Norma Fantini, can be seen tonight, tomorrow and Sat. Mischa Maisky is cello soloist with Prague Chamber Orchestra on Mon (051-529999)

FLORENCE

Maggio Musicale Mikhail Baryshnikov's White Oak Dance Project gives a guest performance tonight in the **Teatro Communale**. Zubin Mehta conducts concert performances of Schoenberg's Moses und Aron tomorrow and Bartok's Duke Bluebeard's Castle next Wed and Thurs. The programme also features a Bob Wilson spectacle inspired by Noh theatre, Luc Bondy's Salzburg production of Salome, recitals by Samuel Ramey and the Chung Trio, and concerts by the Dresden Staatskapelle, Oslo Philharmonic and Pittsburgh Symphony Orchestras. The festival runs till July 1 (055-277 9236)

LONDON

THEATRE

● Love's Labour Lost: a transfer of Ian Judge's RSC production from Stratford, where it was enthusiastically received last year for its high-energy comedy. Starts previewing tonight, Press night next Tues (Barbican 071-638 8891)

● Elgar's Rondo: Alex McCowen in Di Trevis' RSC production of David Pownall's funny and moving play about the great Edwardian composer. Just opened (The Pit 071-638 8891)

● Les Parents Terribles: Sean Mathias directs a new production of Jean Cocteau's greatest stage success. In repertory in the Lyttelton with Sam Mendes' production of Harold Pinter's The Birthday Party. Next Thurs in Cottesloe: first of 18 performances of Peter Brook's The Man Who (National 071-928 2252)

● The Weekend: first stage play by ex-Monty Python comedian Michael Palin, about the chaotic events after the arrival of unwanted guests at a family home. Cast includes Angela Thorne and Richard Wilson, directed by Robin Lefevre. Now previewing, opens next Tues (Strand 071-930 8800)

● A Month in the Country: Helen Mirren and John Hurt in Turgenev's languid portrait of romantic evasions (Albery 071-867 1115)

● Travesties: Antony Sher heads the cast in Adrian Noble's RSC production of Tom Stoppard's 1974 play (Savoy 071-836 8888)

● Hamlet: Rory [illegible] is the Danish prince in Julia Bardsley's Fellini-style production (Young Vic 071-928 6363)

● The Rivals: Sheridan's comedy of manners opens this year's programme at **Chichester Festival Theatre**, first night tomorrow. Richard Cottrell directs a cast headed by Patricia Routledge (0243-781312)

OPERA/DANCE

Covent Garden The Royal Opera has a final performance tonight of Harrison Birtwistle's Gawain, with John Tomlinson and François Le Roux, plus revivals of Carmen with Elena Zeremba, Marie McLaughlin and Richard Margison (till May 20) and Le nozze di Figaro with Bryn Terfel, Jeffrey Black and Sylvia McNair (till May 25). The next new production is Giordano's Fedora, opening on [illegible] 13 [illegible] Mirella [illegible] and [illegible] Carreras (071-240 1066)

Coliseum ENO [illegible] Philip [illegible] staging of Bizet's Pearl Fishers (final performance tonight), Yevgeny Onegin with Peter Coleman-Wright and Cathryn Pope (till May 6) and Judith Weir's new opera Blond Eckbert (071-836 3161)

Queen Elizabeth Hall David Freeman's Opera Factory is in [illegible] for the next two weeks with The [illegible] Progress (071-928 8800)

CONCERTS

South Bank Centre Tonight: Jun'ichi Hirokami conducts RPO in works by Sibelius, Bruch and Rakhmaninov, with violin soloist Boris Belkin. Tomorrow: Luciano Berio conducts world premiere of his latest work, [illegible] be performed by primary school children, the Hallé Orchestra and [illegible] clown. Next Tues, Thurs: Georg Solti conducts concert performances of Cosi fan tutte, with cast headed by Anne Sofie von Otter and Olaf Bär. Wed: Franz Welser-Möst conducts LPO and [illegible] Swingle [illegible] in Strauss, Debussy, [illegible] and [illegible] (071-928 8800)

Barbican Tonight: David Josefowitz conducts London Soloists Chamber Orchestra and Pro Musica Chorus in works by Mozart and Beethoven. Sat: Carlo Rizzi conducts RPO in symphonies by Haydn and Mahler. Sun afternoon: James Galway recital. Mon: The Dubliners. Wed: Rizzi conducts RPO and Brighton Festival [illegible] in Rossini's Stabat [illegible] (071-638 [illegible])

MADRID

Teatro Lirico La Zarzuela Tonight: final performance of Un ballo in maschera with Luis Lima, Juan Pons and Anna Tomowa-Sintow. Mon: Raina [illegible] (01-429 [illegible])

Auditorio Nacional de Musica Tonight: Octav Calleya conducts Malaga Chamber Orchestra in works by Mozart, Schubert, Haydn and Roussel. Tues: Lithuanian Chamber Orchestra plays Mozart and Tchaikovsky (01-337 0100)

MILAN

Teatro alla Scala Tonight: Kenneth [illegible] ballet Manon. Mon: Kurt Masur conducts Leipzig Gewandhaus Orchestra. May 9: Garrick Ohlsson piano recital. May 14: first night of new production of Rigoletto (02-7200 3744)

PALERMO

Teatro Massimo Tonight, Sat, next Tues (also May 5-8 and 10-12): La traviata with casts including Giusy Devinu, Salvatore Fisichella and Paolo Coni (091-6053 315)

PRAGUE

Christopher Seaman conducts Czech Philharmonic Orchestra tonight and tomorrow at **Dvorak Hall** in works by Vaughan Williams, Britten and Elgar, with tenor Barry Banks and horn soloist Jindrich Petras. [illegible] Sat, Michael Gielen conducts South West German Radio Orchestra in symphonies by Mozart [illegible] Bruckner (02-2489 3352)

This year's Prague Spring Festival runs from May 12 to June 2. The opening performances of [illegible] Ma Vlast are given by the Prague Symphony Orchestra conducted by Neeme Järvi. Guest ensembles include City of Birmingham Symphony [illegible] with Simon Rattle, Orchestre National [illegible] with Charles Dutoit and BBC Philharmonic Orchestra under Yan Pascal [illegible] and [illegible] include Agnes Baltsa, John Williams and Josef Suk (Prague Spring Festival, [illegible] 18, 11800 Prague 1. Tel [illegible] Fax 02-536040)

ROME

Teatro Olimpico Tonight: Schubert evening with soprano Elizabeth Norberg-Schulz and others (06-320 1752)

Teatro Valle Tomorrow: Sandor Vegh conducts Salzburg Camerata Academica. Sat, Mon and Tues: Charles Mackerras conducts Orchestra dell'Accademia di Santa Cecilia in Handel's Israel in Egypt, with vocal soloists including Lynne Dawson and Laurence Dale. Sun: Kurt Masur conducts Leipzig Gewandhaus Orchestra. May 6: Radu Lupu. May [illegible] Maurizio Pollini. May 20: Andras Schiff (06-678 0742/ 06-6880 3794)

TURIN

Teatro Regio Tonight, Sat, [illegible] Tues, Wed, Fri, [illegible] Daniel [illegible] Julia Taymor's production of [illegible] Zauberflöte, [illegible] including [illegible] Tschammer, Patrizia [illegible] and Daniela Lojarro (011-881 5214)

VENICE

Teatro La Fenice Sat, [illegible] Tues and Sat: Tristan und Isolde with Siegfried Jerusalem and Gabriele Schnaut (041-521 0161)

ARTS GUIDE

Monday: [illegible] York [illegible] Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, [illegible]
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions [illegible]

European Cable [illegible] Satellite Business TV

([illegible] European Time)

MONDAY TO FRIDAY
NBC/Super [illegible] FT Busi[illegible] Today 1330; FT [illegible] Tonight 1730, 2230

MONDAY
NBC/Super Channel: FT [illegible]

TUESDAY
[illegible] FT Reports 0745, 1315, 1545, 1815, [illegible]

WEDNESDAY
NBC/Super [illegible] FT Reports 1230

FRIDAY
NBC/Super Channel: FT Reports [illegible]
Sky [illegible] FT [illegible], 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, [illegible]

Maverick mogul's art of cultivation

BOOK REVIEW

MASTER OF THE GAME
By Connie Bruck
Simon & Schuster, $25, 395 pages

[redacted] Ross, whose deal-making genius created Time Warner, the world's largest media conglomerate, used to say he learnt the art of handling people when he ran the Riverside Chapel, a Manhattan funeral business owned by the father of his first wife, at the start of his extraordinary career.

"It's [redacted] service business," Ross would explain. "You [redacted] vice people in an emotional time – you learn about their needs, their feelings... If you say to people who are grieving, 'Can I help you?' they will say, 'No one can help me'. So I would say, 'Can I be of service to you?'" It is a telling anecdote. For as Connie Bruck points out in this fine biography, Ross's almost visceral ability to cultivate people, and win their favour, was a key ingredient in the transformation of that modest funeral business into Time Warner, with interests ranging from Hollywood's Warner Brothers *film studios to the Time magazine* publishing empire.

In attending to the needs of Hollywood stars – the ultimate service industry – "the professional empathiser par excellence of Riverside Chapel had found his rarefied home".

Yet the handsome, charming Ross, who died of cancer two years ago, also stirred up immense controversy, most notably [redacted] of shady business [redacted] and the lavish lifestyle he and his top executives enjoyed at the company's expense. His attorney, Arthur Liman, once described him as "the last great pasha of American business".

Having [redacted] the [redacted] himself, [redacted] found [redacted] to [redacted] line [redacted] what was his and [redacted] belonged to [redacted] thought nothing [redacted] despatching [redacted] jet from [redacted] Caribbean [redacted] some [redacted] hot dogs. [redacted] epigram framed in his [redacted] "More [redacted] not an illusion."

Ms Bruck, [redacted] Yorker magazine, [redacted] clearly drawn to [redacted] maverick, larger-than-life risk-takers. [redacted] name in [redacted] The [redacted] Ball, [redacted] the best books on the rise of Michael Milken, the junk bond king of Drexel Burnham Lambert.

[redacted] from the kind of impoverished lower middle-[redacted] background which [redacted] propelled upwards many [redacted] workaholic high-achiever. He [redacted] the [redacted] Brooklyn builder who had lost his money and a socially ambitious, doting mother. From an early [redacted] he displayed [redacted] skills in mental arithmetic and an entrepreneurial drive, rising at 4am to sweep the snow from neighbours' drives.

He started his business career at the Riverside Chapel, which he merged with Kinney System, [redacted] York car park company with underworld links, and took the new entity on an acquisition binge which culminated in the 1969 takeover of Warner Brothers-Seven Artists, the film and record *company*.

That company, much enlarged and renamed Warner Communications (WCI), merged in turn with Time Inc in 1989. And while Time, a blue-blooded member of the US business establishment, ostensibly took over the raffish Warner, Ross emerged on top of the combined group. It was his finest negotiating hour.

Bruck may not reveal any great secrets about Ross's career, but her book fleshes his life out with a mass of fascinating new detail, held together by a strong narrative line and a crisp, lucid prose style.

The tale drags only once, when she presents the tortuous evidence in the Westchester Premier scandal, where Warner [redacted] of making illegal investments in a Mafia-run theatre. Ross escaped prosecution, leaving his best friend *and company colleague, Jay* Emmett, to plead guilty.

The [redacted] the book [redacted] that great – if flawed – individ[redacted] companies. *One of Ross's great strengths* – apart from a gambler's bravado – was strategic vision. He was one of the first US businessmen to appreciate the importance of cable television and the increasingly global nature of the entertainment industry.

Another was his deal-making prowess. He prepared carefully for every negotiating session, memorising personal details about his opponents, which he could throw into the conversation and catch them off-guard.

But he was no manager. Instead, he devolved power to his divisional heads and bound what he called the "Warner family" together by acting as a kind of father figure, showering his favourites with lavish gifts and acts of personal kindness. His favourite question was: "Are you having fun?"

Yet this paid dividends too. Says Bruck: "His apparent psychological need [to be the provider of good news, good fortune, good food, good times] meshed almost sublimely with b[redacted] stra[redacted]. For by engendering such unusually strong loyalty within WCI, Ross was able to protect his company from the rapid turnover that was so endemic and destructive in other entertainment companies."

However, luck seemed to desert him *after the Time Warner* deal. The merger has been marked by squabbling between the two corporate cultures and over the strategy, pursued by Ross and his successor, Gerald Levin, of selling off minority stakes in the "crown jewel" entertainment business to pay down the heavy debt burden resulting from the takeover.

Bruck suggests that Levin, while being a persuasive and far-sighted manager, cannot adequately fill Ross's shoes and she concludes that the Time Warner merger was probably not worth while, given its legacy of debt and personality clashes, and the lack of genuine synergy between most of the businesses.

It *may* yet be undone. Seagram, the large Canadian drinks company, has built up a 14 per cent stake in the group and could be preparing to *launch a bid, though it denies* this.

Perhaps Steve Ross is smiling from the grave: after all, he *was* Time Warner. How can it possibly *survive* without him?

Martin Dickson

ECONOMIC VIEWPOINT

It's time to put UK policy in neutral

By Samuel Brittan

British economic performance has this month received an accolade from an unexpected source, the European Commission in Brussels. In its 1994 *Annual Economic Report* it remarks: "The UK enters 1994 with better short-term prospects than most of the other member states; continued growth in output is expected, with inflation remaining under control." At the same time there has been "a turnaround in unemployment which was both earlier and sharper than expected".

These real improvements have been combined with a closer fulfilment of the Maastricht fiscal criteria than that of most member countries. For instance the UK general government deficit is expected to come down to the Maastricht reference value of 3 per cent by the financial year 1996-97.

The Commission does, of course, put in some qualifiers and cautions. The combination of the debt overhang and the weight of tax increases could still depress consumption growth. It was this fear that caused the chancellor, Kenneth Clarke, to argue for [redacted] cut in interest rates – against the scepticism of the governor of the Bank of England, Eddie George – according to the published version of their February meeting. The Commission urges, instead, that exports and investment "contribute increasingly" – a virtuous exhortation we know by heart.

Meanwhile, it would be folly to take risks with [redacted] rates to ward off a threat which may not occur – especially as the yield on long-term gilts is continuing to rise and sterling to slip. Neither development is alarming so far, but *both need to be taken into* account. The CBI itself has stopped pressing for base rate cuts. The most disappointing answers in its April *Trends Survey* from businessmen relate to confidence and expectations. The harder evidence of output and orders remains firm. Goldman Sachs points to a similar discrepancy on the consumer side, where there is a quite unusual contrast between low confidence and the actual trend of consumer spending.

One of the best recent innovations of the Central Statistical Office has been the publication of an early flash indicator for Gross Domestic Product. *This saves a great deal of work* in putting together a vast amount of scattered data from all parts of the economy. Much of this can now be discarded, except for forward-looking indicators. These flash GDP estimates are no more inaccurate than the more comprehensive estimates that appear about a month later. The latest flash shows total real GDP in the first quarter of 1994 some 2½ to 3 per cent above both the same quarter a year ago and the previous quarter when expressed at an annualised rate.

In most circumstances I would go by a somewhat lower figure which excludes the volatile oil and gas sector and which has been rising more modestly. But, on this occasion, any upward bias from the [redacted] of the North Sea sector is probably at least offset by [redacted] downward bias due to the understatement [redacted] exports.

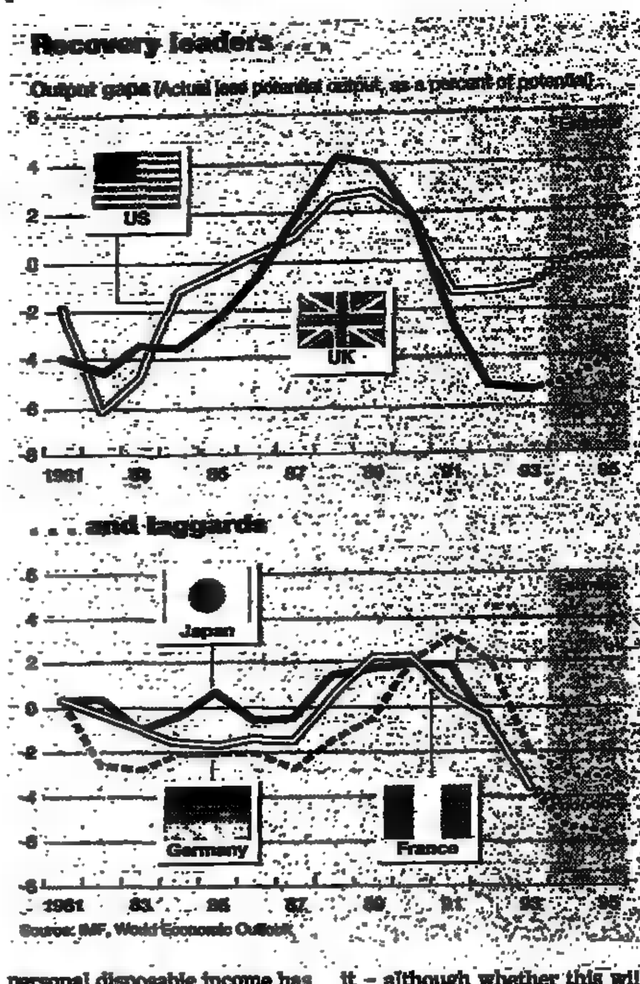
I have previously alluded to the remarkable increase in sterling export prices since the UK left the ERM in 1992. While some upward movement was likely, the recorded rise has been too large to be convincing; and it is affected by the [redacted] the new European Union trade statistics. These are quite likely to overstate export prices and understate export volume. They may understate import volumes too, but that would not affect GDP. The net result is that UK output is not only rising, but probably rising somewhat faster than the growth of productive capacity. Some of the paradoxes about the fall in unemployment are being resolved by upward revisions to estimates of the numbers of jobs, which unfortunately suggests that productivity, even in manufacturing, is not now rising quite as fast as it seemed to be a little while ago.

If the UK economy is doing so well, how come government *popularity is so low?* There need not always be an economic explanation for everything, especially in view of the vitriolic attacks made on John *Major by sections of the* so-called Conservative media. In this case, however, it is not difficult to find at least a contributory economic factor. Real personal disposable income has [redacted] only 1 per [redacted] annum over [redacted] past [redacted] years, compared [redacted] per [redacted] the previous [redacted] Consumer spending [redacted] only just regained its 1990 level; and future increases will depend for a while on reductions in the personal savings ratio.

The [redacted] on personal [redacted] comes in large part from the need to raise government revenues to reduce the Budget [redacted] a rising [redacted] profits – [redacted] beneficial to economic growth – is also making a contribution. As the recovery proceeds and tax increases become a thing of the past, personal prosperity should recover with it – although whether this will be sufficient to save the Conservatives at the next election is far more doubtful and not a matter about which non-partisan economic analysts should fret too much.

The adjoining chart shows the relative positions of the main western economies in a more interesting way than usual straight up-and-down measures. It plots the estimated difference between actual and potential output, as estimated by the IMF. Ideal stable growth would not be an upward line, but a horizontal line coincident with the thick zero line on the chart. For on this line output is growing at trend rates; and there is neither a gap nor an excess compared with potential. Although the exact position of each country relative to the thick line contains a large element of [redacted]work, the broad trends are correct.

What they indicate in the bottom section is that France, Germany and Japan have large amounts of slack in their economies which they show little sign of eliminating, irrespective of whether their economies grow very slightly or continue to decline. The largest amount of slack, and the prospect of slightly worsening of recession, is evident in the case of Japan, which some opponents of individualistic capitalism still want us to take as a model. The German finance minister, Theo Waigel, has offered to bet the managing director of the IMF, Michael Camdessus, that the projection of slow or no growth for his country is wrong.



The US has had, on the other hand, the shallowest recession of the whole group, and has now more than eliminated the *output gap* – so much so that the Fed has begun to tighten to forestall inflationary pressures. The UK is again in a different position: it has quite a lot of slack left in the economy, but slack which may be eroding more quickly than the chart shows.

My own policy advice has, boringly, been the same for a good many months: namely, leave well alone. What is, however, badly lacking in the UK – as in other countries – is not fresh government measures but a criterion *for* policy neutrality. What should base rates be if the Treasury and Bank are trying neither to squeeze nor to stimulate the economy? Ultimately, we should go by the growth of the national income in money terms. But, for an immediate policy indicator, the Bank of England might take a leaf out of the Fed's book and aim at a modest positive real rate of interest.

As underlying inflation is now around 2½ per cent per annum and base rates 5¼ per cent, we have a short-term real rate of around 2¾ per cent – and obviously somewhat more for most businesses that borrow at above base rate. This is a shade above average. Against this, evidence from gilts yields suggest that over the next decade, financial markets expect an inflation rate of 4 to 4½ per cent – clearly above the government's target range. Thus, weighing up all the considerations, I come back yet again to: leave well alone.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Strong trade unions not a misplaced objective

From Mr Luis Anderson.

Sir, Your leader, "Latin America" (April 18), argues that income inequality in Latin America would best be tackled by reducing inflation and implies that the call by Mr Lawrence Summers, US Treasury under-secretary, [redacted] strong [redacted] unions is misplaced.

On the contrary, there is a close link between reducing income inequality and encouraging trade unions, since only strong trade unions will be able to raise incomes for the low paid and so reduce income *inequality which*, as you will be aware, is higher in Latin America than in any other region of the world.

As [redacted] correctly observe, [redacted] present labour laws in [redacted] region are very unevenly applied – indeed, it would be more correct to say that they are seriously violated in many countries, such as Colombia, where [redacted] 100 [redacted] were murdered last [redacted] the course [redacted] union activity.

Mr Summers is, therefore, quite right [redacted] strengthening [redacted] trade [redacted] as a basis for [redacted] in this region.

I [redacted] the experi[redacted] of countries [redacted] proceeded [redacted] privatise [redacted] health [redacted] systems, which your [redacted] advocate, has [redacted] decline in [redacted] quality and availability of services and the introduction of user fees.

According [redacted] Labour Organisation, this has had [redacted] efficiency but has [redacted] a [redacted] worsening [redacted] able [redacted] the [redacted] poor.

This [redacted] hardly [redacted] way to [redacted] problems.

[redacted] Anderson,
general secretary,
[redacted] Regional Organi[redacted] of Workers,
(regional organisation of [redacted] Confederation of Free Trade Unions),
Bd Emile Jacqmain, 156,
B-1210 Brussels,
Belgium

Beguiling, but not realistic

From Mr Graham R Mackenzie.

Sir, Dr Bryn Jones' letter (April 26) on the costs of EU proposals for company consultative bodies is beguiling; £33,000 per multinational is not the cost of this proposal. Dr Jones would know this were he to look at the latest Commission proposal.

The [redacted] publication *European Participation* [redacted] "overall, [redacted] seemed to be little difference in [redacted] transmission of [redacted] and financial information [redacted] they have legislative [redacted] participation". Commission-funded [redacted] no [redacted] to [redacted] obtained from requiring multinational [redacted] introduce [redacted] tive [redacted]

[redacted] Commission [redacted] posal allows unlimited numbers of [redacted] of the "European committee" and its "attendant advisers", all of *which must be paid for by the* company. The costs of such meetings, based on the Commission's own assessment of their impact, is "less than 10 Ecus per employee in a business employing several thousands". For each multinational with, say, 100,000 employees, [redacted] cost will be at least £750,000 per company per year.

EEF research leads us to believe that these costs are significantly understated. We estimate each meeting involving employee representatives and advisers – with travel, accommodation, meeting facilities, translation facilities, support staff and pay – will cost more than £100,000 per occasion. The involvement of management from each member state will double this cost. With employee pre-meetings and debriefings the cost escalates *even further*, so £250,000 per meeting is foreseeable. The number of meetings, which are at the employees' request, is unlimited.

Dr Jones should think again. With unemployment and competition on the agenda throughout the EU, any suggestion that European business should increase its operating cost simply to give trade unions an "institutional significance", but with no benefit to employees or to the business itself, is not in the real world.

Graham R Mackenzie
acting director general,
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No reason why savings should not be delivered

From Mr D L Graham.

Sir, A report has highlighted that government agencies have spent more than £500m on con[redacted] checking whether they were receiving value [redacted] ("Whitehall [redacted] over consultancy *projects attacked", April 26).*

This is not surprising. This company reduces overhead costs on a basis that no fee is charged unless and until the client [redacted] actually [redacted] As might be expected, [redacted] firms [redacted] In contrast, [redacted] we recently dis[redacted] how we [redacted] with [redacted] government agency, we were advised that "no savings – no fee" would be against official policy and that our proposal would have to be restructured to provide for payment, irrespective of results achieved.

How can government hope to improve its efficiency if it refuses to adopt the management strategies of the private sector.

D L Graham,
managing director,
The Cost Protection Partnership,
18 Seymour Place, London W1

[redacted]

Sir, [redacted] the [redacted] Office report on the apparent [redacted] value deliv[redacted] by [redacted] to government departments are disturbing. However, many of the pitfalls in the procurement of consultancy services can easily [redacted] avoided if the purchaser and supplier mutually [redacted] prior to commencement [redacted] the project, the scope, risks, dependencies and measureable benefits to be delivered. Value for money is a prime concern, and fee structures based on the financial savings achieved are being offered by the more progressive consultancies.

It is also sound practice for the client to work in partnership with the consultancy through [redacted] implementation in order to ensure fast delivery of agreed benefits rather than have the client struggle with implementation after the consultancy has withdrawn.

There [redacted] no reason why external intervention should not provide very significant financial benefits if the consultancy [redacted] for the [redacted] a strong track record in achieving defined objectives. References should be taken up wher[redacted] possible. Consultancies which cannot demonstrate such expertise [redacted] avoided.

Stephen J Jones
Oasis Group,
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Maidenhead, Berkshire.

Subsidiarity should be for the birds

From Mr Alan Trench.

Sir, Leolin Price QC (Letters, April 25) thinks that the issue of the Cardiff Bay barrage raises serious concerns about the European Union and the principle of subsidiarity. However, he does not seem to understand what subsidiarity requires in the form implemented by the Maastricht treaty (and, *for environmental* matters, by the Single European Act).

Subsidiarity means not only that the EU should not act when it is inappropriate for it to do so, but, conversely, that it should act when it is appropriate.

In the case of the Cardiff Bay barrage, the principle of subsidiarity positively requires action at Union level, because habitats such as this are used by birds which travel across Europe. Only when birds can be made to stay within national boundaries will the situation be otherwise. The real cause for concern is that the Commission has left it so late in the day to show interest in a scheme which will have such a far-reaching effect.

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Germany's Europe

[redacted] Major said [redacted] *put the* UK at the heart of Europe. That intention [redacted] geographically absurd and proved political vainglorious. The leader [redacted] country is indeed the geographic, economic and political heart of Europe [redacted] his [redacted] of yesterday, Mr Helmut Kohl. Europe [redacted] failing to prosper, either politically or economically, largely beca[redacted] Germany is not leading. Germany's [redacted] to the presidency [redacted] the European Union, next July, is the occasion for it to start doing so once more.

The agenda Germany confronts [redacted] simultaneously [redacted] own [redacted] Europe's: how to extend the zone of western stability to its eastern neighbours; how [redacted] deepen [redacted] integration with its western neighbours, particularly with France; [redacted] how [redacted] engender new vigour in [redacted] European economy.

[redacted] signal virtue is that [redacted] understands the nature of the [redacted] he, [redacted] country and Europe confront. It [redacted] to [redacted] Germany's historic dilemma: [redacted] choice between east [redacted] Germany's *strategic solution is to* seek stability in the east, while being safely embedded in a prosperous west. So long as it is deprived of capacity for independent action, the problem posed by an overmighty, sovereign Germany might at last be resolved. The failure of British politicians is their inability to recognise that the nightmare Germany's leaders wish to avoid is the 19th century balance-of-power politics that the British deem normal.

Starting point

The German strategy is right. The difficulties arise with the tactics. The starting point must be to Germany's east, where shaken electorates may yet turn their backs on an EU that is often seen to have turned its back on them. The Europe Agreements with Bulgaria, the Czech Republic, Hungary, Poland, Romania and Slovakia were a start. But the EU remains far too protectionist, *notably over agriculture. These* agreements provide for free trade in industrial goods between the EU and the countries of eastern Europe, *but not among the east* Europeans. There is, more important *still, no ladder leading them* to the EU membership that they *seek and the EU promised, conditionally*, at the Copenhagen European *summit* in 1993.

What is to be done? First, the decision must be taken that, whatever it costs, Poland will become the east of the west, not the west of the east. Second, the EU's barriers to the industrial exports of central and eastern Europe must be eliminated and agricultural access also expanded. Third, existing trade agreements need to be made multilateral, embracing the whole region. Fourth, central and [redacted] *Europe* [redacted] *be* [redacted] into [redacted] European [redacted] by *modifying* [redacted] still-born European Economic [redacted] purpose.

Last but not least, the issue of EU membership, which the countries concerned think crucial for the credibility of their engagement with Europe, must be broached. But membership [redacted] be [redacted] 2010 only if the common agricultural policy, the [redacted] and probably voting weights [redacted] reformed. This [redacted] an [redacted] that Germany, pivotal [redacted] all [redacted] questions, must [redacted]

Europe's plight

Enlargement to the north is, pace the European parliament, decided. Enlargement to the east must be started. But what then of deepening? To the extent that a larger Europe must be bureaucratically streamlined, institutional reform is inescapable. This issue will be the heart of the agenda for the next intergovernmental conference, due in 1996. Ideas must be floated now if that conference is to be less messy than the political side of the last one.

Realistically, however, rapid further deepening of the soon-to-be Europe of 16, still more of the Europe of 20 or so that should emerge within the next decade, is unfeasible. The solution must be deepening among fewer countries. This is already implicit in the Maastricht treaty's approach to economic and monetary union. Some version of Emu must occur this century, if the EU is to retain credibility. But it will then exclude several members. Germany will have to be tough with its partners about whom it is necessary to exclude and whom it is necessary to include.

Perhaps the most fruitful way for Germany to secure early deepening to the west is by strengthening its foreign and security policy co-operation with France. With the US disengaging, the UK equivocating and Russia looking *more threatening*, it is difficult to envis[redacted] *for European security* [redacted] Franco-German integration. But Germany must first commit itself to participation in *envisaged security action. If it has* power, [redacted] responsibility, *as happened in the former* Yugoslavia, European security *policy becomes internally divisive* and externally ineffective.

Germany's presidency starts a run of large countries – France, Spain and Italy – with an integrationist outlook. But it is primus inter pares. *It alone can set the* agenda for a revitalised Europe. [redacted] forthcoming elections will make it difficult. But Europe's plight makes *it essential*. Germany must be bold and imaginative. As for the UK, it may be on the margins of Germany's Europe, but cannot *afford to turn its back*.

Venezuela shoots a messenger

Venezuela's government took office in February facing a host of political, economic and social problems for which it bore no responsibility. Now, the administration of President Rafael Caldera is adding a few of its own making.

The resignation this week of the head of the country's nominally independent central bank is a blow to the credibility of monetary policy and a setback to attempts to right the economy.

As central bank president, Ruth de Krivoy could not alone have solved Venezuela's economic difficulties. But, while there, she was viewed as a guarantor that at least monetary policy was on course. However well respected, her eventual replacement will find it difficult to shake off the perception that he or she is in the government's pocket.

The dispute that brought about her departure arose over the government's desire to see lower interest rates to stimulate an economy now facing a second year of recession. With little leeway in fiscal policy – according to Consensus Economics, the average expectation of *private economists* is for a public sector deficit equivalent to 5 *per cent of GDP this* year – the government alighted on interest rates.

Banking crisis

One part of the government plan was to persuade banks to reduce the generous lending spreads being charged on loans. However, many banks are attempting to rebuild balance *sheets to* comply with a new banking law. This in the wake of January's banking crisis, which led the government to take over the country's second largest bank and shore up at least eight others.

The other element was apparently an attempt to reduce interest rates in Venezuela's money markets. Mrs de Krivoy told the government that attempting this would probably backfire. Venezuela's high interest rates were not a cause of Venezuela's economic difficulties but a symptom of them: the money markets were merely the message bearers.

The risk of artificially depressing interest rates is clear: more capital flight into the dollar, which will accelerate the depreciation of the bolivar and thereby *fuel inflation*.

Wider lessons

The Venezuelan experience holds wider lessons about the limi*tations of central bank autonomy.* It suggests that a strong central bank *needs the type of* institutional backing that is lacking in *many states in Latin* America and elsewhere. Legislation alone is no *guarantor of independence*, especially in those places where the *executive* is unaccustomed to restrictions on its exercise of power.

It also shows that unless there is a broad national consensus over the importance of low inflation and over the means of achieving it, even a nominally independent central bank will be relatively weak. Achieving that national consensus takes either a long time or an economic crisis, such as the hyperinflation which overtook Argentina in 1989.

Mrs de Krivoy understood this. In an interview last year, she described an important part of her mission as "having to explain that it's not just a matter of forcing interest rates to come down in a way that doesn't reflect the true situation of the country". *It is* to be regretted that she failed to convince those who most needed to be convinced: Mr Caldera and his ministers.

John Burton and Kevin Done examine the global ambitions of [redacted] rapidly expanding Korean car industry

Risky manoeuvres in the fast lane

Korean vehicle makers [redacted] appearing at [redacted] fortable speed in [redacted] rear-view mirrors of [redacted] America, Europe [redacted] Japan.

With stunning disregard for [redacted] overcapacity [redacted] the [redacted] industry, [redacted] leading [redacted] pro[redacted] expanding assembly capacity [redacted] a rate that recalls the startling growth [redacted] Japanese industry in earlier decades.

[redacted] by [redacted] the second-largest Korean carmaker, that it [redacted] assembly [redacted] four-wheel-drive sports/utility [redacted] Germany – the [redacted] will be [redacted] by Karmann, [redacted] *automotive engineering* group – is the latest move [redacted] mark [redacted] *rapid* [redacted] *into* [redacted]

Supported by [redacted] *rapidly growing*, [redacted] until [redacted] highly protected, [redacted] market, Hyundai, Kia [redacted] the industry's [redacted] Exports, [redacted] developing [redacted] and to [redacted] regions [redacted] North [redacted] Europe, are growing, [redacted] is [redacted] of plans for [redacted] assembly plants.

Hyundai Motor, [redacted] leading [redacted] carmaker, plans [redacted] production capacity by 60 [redacted] 2m [redacted] by 2000 [redacted] present, according to Mr [redacted] Yung Chung, [redacted] It [redacted] planning to build more foreign production sites to reinforce its presence in overseas markets, he says.

"[redacted] envisage manufacturing operations in [redacted] America, Europe, [redacted] and in [redacted] Middle [redacted]"

Individually Hyundai, Kia and Daewoo are all voicing the ambition of becoming one of the world's top 10 producers, an aim that would mean shouldering aside the likes of Mitsubishi, Mazda, Chrysler or Fiat.

The threat of a growing tide of Korean exports allied to the high barriers to foreign car imports in the domestic market, where imports accounted for well below 1 per cent last year, are rapidly forcing the issue of Korean expansion towards the top of European carmakers' agenda.

"South Korea, one of east Asia's 'tigers' has been pursuing an aggressive export policy, which seems set to disrupt markets, not only for the Europeans and Americans, but also for the Japanese themselves, who are being hurt by the high yen, and from whom the Koreans have learned a great deal," the European Automobile Manufacturers' Association (Acea) warned this week.

Kia has just launched its cars into the US for the first time under its own brand name. Mr Greg Warner, executive vice-president of Kia Motors America, states openly that the key to the company's launch strategy will be "disruption", as it seeks to under-price its rivals by a significant margin.

"Our greatest impact will be on Japanese makes," says Mr Warner. *Kia's first US television advertising* campaign has featured clips from a *1960s science fiction film Gorgo*, with a gigantic monster trampling *across the buildings of a city centre* to the accompaniment of screams. "There's only one thing more frightening to Japan," says the text, "A [redacted] car for under $8,500."

The [redacted] government [redacted] playing a key role in the auto industry's expansion. In a glittering ceremony Hyundai Motor recently unveiled the Accent, the successor to the country's most popular car model, the Excel small family car.

As the first Korean car to be based entirely on domestic technology, the Accent represents a significant success for the government-sponsored X-5 programme. Started in 1991, X-5's goal is to transform Korea into the world's fifth-biggest vehicle producer, after Japan, the US, Germany and France, by 2000.

The government estimates that it will cost $36bn, financed by soft state loans, to achieve this. Sixty per cent of these funds are going into doubling production capacity to 4.65m vehicles by the end of the decade. The rest is earmarked for research projects, such as the development of electric cars.

Korea is well ahead of schedule: it may become the fifth-largest producer this year by overtaking Canada. It will produce 2.4m cars and commercial vehicles versus Canada's 2.35m, according to forecasts by the the Hyundai Automobile Research Institute. It predicts that Korea will exceed French vehicle production by 2000.

The increase reflects buoyant exports, which reached a record 640,000 vehicles last year, as Korean producers gained a price advantage over their Japanese rivals, thanks to a 20 per cent fall in the value of the Korean won against the yen. The continued weakness of the Korean currency means exports may reach 800,000 vehicles this year.

Despite the undoubted alarm among western carmakers, some industry observers believe that the fears are exaggerated. They predict that the Korean car industry is rac[redacted] problems of its own, [redacted] production capacity and force consolidation. "The Koreans are betting on a lot of positive factors that may prove false," says Mr David Bloom, manager of the Seoul office of Hawtal Whiting, [redacted] UK automotive engineering consultants.

One cause of concern is the increasingly cut-throat competition in the domestic market, which accounts for 70 per cent of total sales by Korean car companies. The offer of low-interest consumer financing by car companies [redacted] demand [redacted] depressed profit growth.

In addition, productivity improvement has been made difficult by industrial action, which shut down Hyundai plants for almost two months last spring.

Domestic competition is expected to become more intense in the next few years. Ssangyong, which produces commercial and four-wheel-drive vehicles, will enter the passenger car market in 1996, with a range of cars that it will produce in co-operation with Mercedes-Benz of Germany. Samsung, one of the nation's biggest industrial groups, is also seeking [redacted] into car manufacturing. It is negotiating [redacted] Toyota and [redacted] Japan [redacted] technical support for the project, which it is estimated would cost at least $6bn.

The optimistic Korean vehicle [redacted] that there [redacted] still *plenty of room for growth*. Only 35 per cent of Korean families own a car and some companies [redacted] they can double this number.

There are signs that domestic demand is weakening, however. The rate of growth in sales in Korea has slowed from 40 per cent a year in the late 1980s to 18 per cent last year.

Adding to domestic pressures are the growing demands from Korea's trading partners for [redacted] imports to [redacted] dismantled. [redacted] held foreign car [redacted] year [redacted] – only [redacted] of [redacted] domestic [redacted] – through special [redacted] imported "luxury" models and by making *intimidating* [redacted] car buyers.

While imports make [redacted] inroads [redacted] home, exports already account for half of production, with Korean vehicle makers gaining ground fast in the developing world. Half of Korea's car exports go to the Third World, up from only 7 per cent five years ago. All three leading companies are erecting assembly plants in Asia, the Middle East, Africa and eastern Europe.

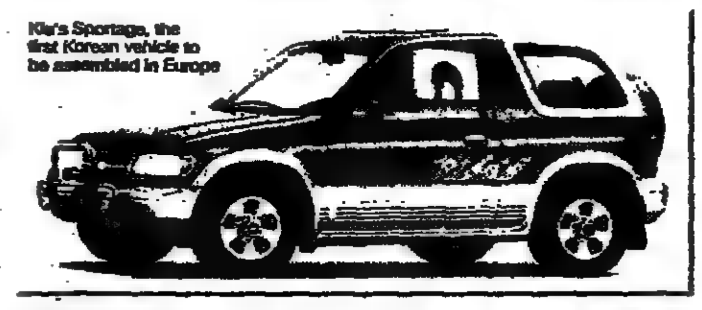
Korean cars can compete better in the developing world, where price is more important than quality. Complaints in the US about the quality of Korean cars blunted an export boom in the late 1980s.

But the Big Three are not neglecting the US and west Europe, and are expanding their sales and marketing operations in these markets. Hyundai has been established for several years in these regions, but it has now been joined by Kia, and Daewoo plans to enter west Europe in 1995 and the US a year later.

"The strategy of the Koreans is clear. They hope to use the Third World as their main market for the next decade, giving them time to improve the quality of their cars and finish preparations for a bigger marketing presence in the US and Europe," says Mr Don Lee, motor industry analyst for BZW Securities in Seoul.

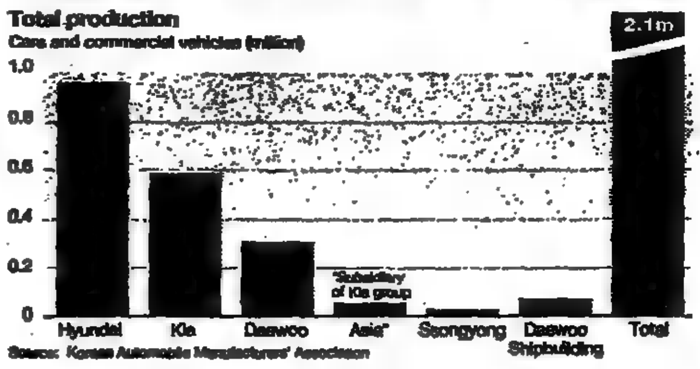
Korea [redacted] previously taken [redacted] in rapidly expanding such [redacted] as shipbuilding and semiconductors in spite of warnings that it was creating a production glut. The gloomy predictions proved false and these industries now enjoy growing prosperity. Korean carmakers are betting that their gamble may prove as successful.

South [redacted] carmakers: Europe bound



Kia's Sportage, the first Korean vehicle to be assembled in Europe

Total production
Cars and commercial vehicles (million)



Source: Korean Automobile Manufacturers' Association

Worldwide car production

	ACTUAL 1989	90	91	92	FORECAST 93	95	97	99
Japan	9052	9947	9753	9378	8497	8824	9295	9321
US	6867	6294	5687	5937	6135	6851	6927	7142
Germany	4568	4660	4659	4863	3753	3850	4412	4839
France	3409	3294	3187	3325	2854	2987	3268	3337
South Korea	866	964	1126	1255	1498	1862	[illegible]	[illegible]
UK	[redacted]	[redacted]	1236	1291	1375	1587	1983	2186

Source: World Automotive Forecast Report, Feb 1994, DRI and McGraw-Hill

A problem aired . . .

Bruce [redacted] previews a portrait of the UK Foreign Office

As western politicians work themselves into a moral frenzy over Bosnia, there *is something refreshing* about a senior western diplomat who *is dubious about the role of* ethics in foreign policy.

The diplomat is Mr David Gore-Booth, British ambassador to Saudi *Arabia, and former head of the Mid*dle East department at the Foreign Office. *His world-weary musings* on the rights and wrongs of arms sales *provide one of many startling* vignettes in a documentary series on the British diplomatic service entitled *True Brits*, to be screened on BBC2 over the next *six* weeks, starting tonight.

"You have to factor in the morality because that is what British public opinion and the British value system demands," believes the ambassador. "But *it* cannot be the overriding *factor* because Britain has to survive by exporting."

Mr Gore-Booth is talking about the Scott inquiry, which is considering allegations that Britain avoidably abetted Saddam *Hussein* by selling him weapons and components. He sees no case to answer. "I'm not embarrassed or ashamed of British policy at that time; *it was in fact as* close to being honourable as international circumstances permitted."

The series is billed by its producer *Stephen Lambert as the clos*est British television has come to *the heart of government. It provides* hilarious insights into the horse-trading *before a European summit*; follows a consul into a Thai prison; *depicts the opening of lonely out*posts in ex-Soviet cities; and follows *the dreaded cost-cutting* inspectors to Washington.

It is the existence of the latter which explains the sudden onset of glasnost at the *Foreign Office. Like* everybody else, the diplomats want to show that they provide value for taxpayers' money. But in throwing open *their doors, the diplomats* have been remarkably bold.

In one episode, we see the pragmatic Mr Gore-Booth, who speaks *for British policy at its most* hard-boiled and mercantilist. In another, we meet two women diplomats who are blazing idealists.

There is the *formidable*, elegant Ms Gwynne Evans, head of the UN department, who is unmarried, a self-confessed workaholic, who has devoted her working life to what she calls "public service". We see *her visiting Sarajevo, where she sits* stoically through an artillery battle, *makes some proposals about how to* [redacted] aid [redacted] attends Mass in a local church. *She is too* clever to think there are easy *answers in Bosnia*, and *that makes* her all the more likeable.

That said, most viewers will relate more easily to the engaging, vulnerable personality *of Ms* Frances Guy, a young Scotswoman who deals with Iraq. One moment she is saying goodbye to her husband and baby *daughter in a mod*est London home; the next she is helping the Kurds of northern Iraq rebuild their villages under cover of the "no-fly" zone.

The two women seem at times to live on a different planet from Mr Gore-Booth. On reflection, however, the worlds of all three are closely intertwined. Ms Guy may represent *a gentler* school of diplomacy than Mr Gore-Booth, but she too has real-politik to consider. With disarming frankness, she explains the reason why she cannot be *too zealous* in promoting *self-government among the Kurds or in any other part of* Iraq: neighbouring countries would *see it as a bad precedent*.

"You have the Iranians who are scared of democracy, you have the Saudis who scared of the democracy . . . *and they control a lot of the* British economy."

Which brings us back to Mr Gore-Booth. The Saudis may not like *western political systems, but they* do care about their co-religionists in Bosnia and they expect *Britain to* care about them too. We see Mr *Douglas Hurd, foreign secretary*, telling his man in Riyadh: "We have to show also that we're not just sitting [redacted] being careless of Moslem *lives*."

On the subject of Moslem lives: one of the "international circumstances" to which Mr Gore-Booth *refers is the fact that* five years ago, most of Iraq's partners did not see the use of poison gas against the Kurds as grounds for cutting off arms sales. So a *unilateral UK* boycott would arguably have hurt *Britain more than Iraq*.

This "circumstance" was certainly regrettable, for it was soon apparent that Saddam was capable of much "worse" acts than poisoning *his citizens* – such as invading Kuwait. If the west had "factored in the *morality*" a little earlier, perhaps the Gulf war, and the human *tragedy of the Iraqi Kurds which Ms* Guy is trying to alleviate, could have been avoided.

Nor is Mr Gore-Booth a mercantilist all the time. *Confronting* a delegation of British businessmen who *want better relations with Iran, he* tells them bluntly: "We believe the Iranians are *trying to acquire a* nuclear bomb."

So there are, it seems, some cir[redacted] when [redacted] need to be [redacted] *length, even* [redacted] opportunities beckon. Defining those circumstances [redacted] never been easy for professional diplomats, *and it is not easy for the* ordinary tax-paying citizen either.

Even allowing for the interest of the Foreign Office in self-promotion, *it is still extraordinary that it has* allowed the viewer quite such a candid glimpse of its own dilemmas and the differing ways in which its staff respond.

[redacted] Foreign [redacted] apparently *wants its dilemmas* to become the public's dilemmas too; and that is a worthy *aspiration*. It also makes for gripping television.

OBSERVER

Exit, chased by dragons

■ After less than two years in his *highly lucrative post*, Hong Kong governor Chris Pattern is showing distinct signs *of itchy feet. Surely* he's not pining for the grey skies of Britain already?

One cannot blame him for being a bit browned off. Chinese government officials more or less refuse to have anything to do with him these days; when Lu Ping, China's top official on Hong Kong affairs, comes to town next week, he won't even be seeing Patten.

No wonder, then, that the wily Brit has been saying for the past month or so that, as 1997 approaches, he will be adopting more of a ceremonial role – letting his top officials make the running in promoting government policy. Ahem.

The truth is that Patten never really lost his love of Westminster. He stays remarkably well-informed about the progress of friend and foe alike, and takes every opportunity to travel back to Britain for increasingly leisurely sojourns. Next month, as well as addressing the Manchester Philosophical Society, he has made *sure to take in a performance at* the newly-renovated Glyndebourne opera house.

Moreover, he has given up *disclaiming any interest in* a return to the British political scene. *Nowadays he just throws the* question back, asking under what *circumstances* he might make a comeback. Glumly, he says he does not believe a credible *scenario* exists.

Why he should be upset by that, given the present government's manifold troubles, is another question.

Makes Saenz

■ Emilio Ybarra, the coolly collected chairman of Banco Bilbao Vizcaya, is angry. On Monday night he lost out to Spanish banking's other Emilio – Banco Santander's Emilio Botín – in the takeover race for Banesto. Now Botín has recruited BBV's brightest and best to manage the bauble.

Alfredo Saenz, whom Botín has appointed Banesto's chief executive, was a BBV vice-chairman until seconded by Ybarra to rebuild Banesto, after the Bank of Spain recently sacked the board of the ailing bank. So what does a grateful Bank of Spain do? Hand Banesto to BBV on a plate?

Not likely. We are witnessing commercial Spain's hard new realism; Santander outgunned BBV.

Unsurprisingly, Ybarra wanted Saenz back; tough tapas. Botín's *promise to distribute* 1 per cent of Banesto's stock among its senior *directors clearly concentrated* Saenz's mind.

We may now see [redacted] steady haemorrhaging of Saenz-picked BBV talent into the Santander-Banesto cup.

How history repeats itself. Three years ago the government chose Francisco Luzón, another BBV high-flier, to run the partially-privatised Argentaria. Since then, Luzón has poached some 70 clever managers from his former employers.

"If everyone voted for minority rule where would we be?"

Toy soldiers

■ [redacted] of twisting themselves *in knots over the D-Day* celebrations, the Brits and the French migh[redacted] well surrender gracefully and decamp *en masse* to Chicago *for positively the biggest* ever re-enactment of the Normandy *landings*.

On June [redacted] – two days early, but who cares, it's [redacted] Saturday and the organisers are hoping to pull in a *crowd* of about 200,000 – some 500 US second world war buffs will storm Montrose beach on Lake Michigan.

Clad in American, British, and Canadian uniforms, their 14 period landing craft will be backed up by a dozen vintage aircraft, while an allied missile frigate will fire at the bathing centre doing service as a well-manned German bunker.

Nearly $125,000 has been spent at the firework shop for the [redacted] for the four-hour re-enactment.

Unfortunately, the organisers failed to advise Chicago city alderman Helen Shiller of their manoeuvres; when alerted late in the day, she was minded to block such gallivanting on a crowded family beach, but has apparently been brought round.

Retired colonel Kenneth Plummer, chairman of the extravaganza, meanwhile, says it is a serious commemorative act. "*It's not our* [redacted] *to turn this* into a circus," he says.

Like clockwork

■ Swiss [redacted] and Swiss Bank Corporation have long been paired in the minds of [redacted] businessmen as being a little *susceptible to the blandishments* of management consultants; they seemed to troop in regularly to advise on grand restructurings – which, to the untrained eye, *never* seemed to amount to a row of beans.

Now the consultants have talked *their way into the boardroom on* a more permanent basis. Last November, SBC poached Peter Wuffli, a partner in McKinsey & Co, Switzerland, to be its chief financial officer.

Yesterday, Swiss Re capped that by hiring Lukas Mühlemann, McKinsey's Swiss managing [redacted] as [redacted] next [redacted]. With such professional reorganisers in-house, how ever will they find time for the business?

Drug drag

■ While its dealers may relax with heavy metal, Lehman Brothers as a company is apparently more in tune with heavy paper.

Its forthcoming survey of the world's pharmaceutical industry, called PharmaPipelines, weighs in at 1.8 kg, only fractionally less *than the mammoth 2.2 kg* Yellow Pages telephone directory for *London*.

The result of the efforts of 11 *stockmarket analysts* and some powerful computer software, it is somewhat lacking in the narrative drive department. But it's got to be a best-seller for investors in the pulp and paper industry.

FINANCIAL TIMES
Thursday April 28 1994

Business interests row delays Berlusconi's call to power

By Robert Graham in Rome

The expected call to Mr [illegible] Berlusconi yesterday [illegible] form Italy's 53rd postwar government was delayed amid fears of a conflict of interest over the media magnate's Fininvest empire and a row over allocating ministerial posts, especially the key interior ministry.

President Oscar Luigi Scalfaro had been expected to ask Mr Berlusconi to form the government yesterday, a month after he led the four-party Freedom Alliance to victory in general elections.

But [illegible] that Mr Berlusconi [illegible] not yet ready with his cabinet and many politicians were unhappy about the suggested formulas for distancing his new political responsibilities from his ownership of Fininvest, [illegible] second-largest media group in Europe. Last night, officials said the move had been put back 24 hours.

Mr Scalfaro proposed on Tuesday that he himself act, in his role as guardian of the constitution, as guarantor against any conflict of [illegible]. But that [illegible] proposal left many perplexed.

The populist Northern League has threatened to press for Mr Scalfaro's resignation once the new government is formed, and several members regarded that as a disguised means of ensuring that the president remained in office. The view was also shared by the neo-fascist MSI/National Alliance, the other main component of the future government along with Mr Berlusconi's Forza Italia.

However, it [illegible] stepped forward only because it had been impossible to [illegible] an independent watchdog to monitor any conflict of interest. The opposition parties on the left were reluctant to see such a role conferred on parliament because the Freedom Alliance had an absolute majority.

Mr Berlusconi has not detailed how he believes he can act as prime minister and retain ownership of the second-largest private group in Italy. "The matter will be resolved by common sense; my behaviour will be judged by parliament, the press and the public," he said.

Mr Mario Segni, leader of the centrist Italian Pact, told Mr Scalfaro during formal consultations on the formation of the next government this week that Mr Berlusconi's business interests were [illegible] insuperable obstacle [illegible] the [illegible] magnate's assuming the premiership. The conflict of interest was raised in varying degrees by everyone consulted by Mr Scalfaro – not least by Northern League leader Mr Umberto Bossi.

Hurdles also remained over ministerial appointments. The League has been fighting a tough rearguard action to secure the key interior ministry. That portfolio has always been in Christian Democrat hands and traditionally has been a source of enormous power. The battle underlined the difficulties faced by Mr Berlusconi in putting together a cohesive team.

The new government is expected to be slimmer than previous ones but will balance the weights of Forza Italia against the League, the MSI/National Alliance and the small rump of the old Christian Democrats, the Christian Democratic Centre.

EC presses for free market in mobile phone systems

By David Gardner in Brussels

The European [illegible] yesterday for full [illegible] EU mobile telecommunications, in [illegible] aimed [illegible] overcoming fragmentation within the Union market and consolidating Europe's place in [illegible] world market.

The [illegible] appeal [illegible] step [illegible] the EU [illegible] liberalisation by 1998. It is contained in a 228-page green paper adopted by the Commission yesterday after two years of research.

The paper [illegible] unusually prescriptive for [illegible] document [illegible] and [illegible] aim [illegible] the barriers holding back [illegible] potential of what [illegible] Commission and market research predict will be the fastest growing area in telecommunications.

The paper [illegible] the pan-European GSM (Global System [illegible] Mobile communications) is establishing itself [illegible] main [illegible]erence technology [illegible] digital mobile systems, and [illegible] become the global standard.

Europe's mobile telephony [illegible] suppliers [illegible] international comparative [illegible]. But nationally ori[illegible] technology-based [illegible]sing has resulted in parallel national systems, with no consistent approach to provision of compatible [illegible].

That "failure to adjust to market requirements could jeopardise Europe's current strong position," the green paper warns.

Mobile communications experts point out, however, that the US and Japan are likely to use non-GSM technology.

By 1995 the US will have 20m cellular telephones, but the move from existing analogue systems to digital ones is being complicated by a Federal Communications Commission requirement that new digital technologies such as GSM must be compatible with existing analogue services.

[illegible] paper advo[illegible] changes:

- [illegible] of all remaining exclusive or special licensing rights in the sector.
- Removal of all restrictions on the provision of mobile services across the EU.
- Full freedom for mobile operators to develop infrastructure networks, whether by providing their own or sharing another company's infrastructure.
- Full freedom to offer combined services via both fixed and mobile networks, which implies the right of independent opera[illegible] licences on the [illegible].
- Mutual recognition of [illegible] and equipment type approval, [illegible] of licensing and award procedures, [illegible] boost trans-European [illegible] networks.

[illegible] Commission predicts [illegible] mobile communications users in the EU by 2000, [illegible] eventually more than 200m.

Paris told to open up Orly routes

Continued from Page 1

could be a condition for approval of the state aid but it is strongly resisted by trade unions.

Paris has a month to appeal to the Council of Ministers, which could overturn the order with a qualified majority. The solid bloc of airline liberals led by the UK makes this recourse unlikely, leaving France the possibility of action through the European Court of Justice.

France had agreed to the Third Aviation Package. Moreover, as part of the 1990 deal under which the Commission approved Air France's takeover of Air Inter and UTA, the long-distance carrier, Paris had promised to open up eight routes, including from Orly to Marseilles and Toulouse.

"The Commission has decided that the undertakings of 1990 have not been respected," a Commission spokeswoman said.

THE LEX COLUMN

Unenterprising approach

Enterprise Oil has lost the first round in the battle for Lasmo. Its opening shot, a statement extracted from it by the Takeover Panel against its will, failed to make clear whether it was going to bid or not. Reading between the lines, there is little doubt that chairman Mr Graham Hearne's ambition is to acquire Lasmo. But yesterday's indecisive statement will have done nothing to deter rival bidders, whether British Gas or some international group, from entering the fray. It also failed to provide any rationale for putting the groups together.

The industrial logic of merging the two companies looks pretty thin. There may be cost savings from cutting overheads in a larger group. But a bigger organisation could also lack the dynamism needed to discover new oil and gas reserves – a task at which neither company has excelled recently. Nor is it as though Mr Hearne can plausibly sell himself as the man to put Lasmo's house in order following the Ultramar fiasco. Under chief executive Mr Joe Darby, Lasmo has already done much of the stable cleaning for itself.

The financial logic also seems lacking. Given that Lasmo's £219m rights issue is now irreversible, Enterprise can no longer argue that its smaller rival is desperate for cash to shore up its balance sheet. Moreover, at current oil prices, a merger would dilute Enterprise's earnings per share. The suspicion is that Mr Hearne simply enjoys the idea of running an even larger empire. Enterprise will presumably think up some clever arguments for combining the groups if and when it bids. But it is now starting from behind.

FT-SE Index: 3150.0 (+24.7)

Germany

The Bundesbank has been miserly with interest rates for so long that yesterday's generous cut in the repurchase rate comes as something of a shock. The quarter-point reduction in the discount rate a fortnight ago has already been reflected in money market rates. This is especially surprising given the improving economic outlook. There are still risks, but German government forecasts of 1.5 per cent growth this year no longer look over-optimistic.

Still, the Bundesbank has a record of cutting interest rates after the economy has turned, as it did in 1982-83. Inflation is widely expected to fall this year, so real rates would rise without further action. Most independent growth forecasts have been nudged higher in anticipation of a strong export performance, which should not rekindle inflation while output remains well below trend. With M3 growth running at 15 per cent in March, money supply poses the only credible inflationary threat. This gives the Bundesbank a strong argument for caution on the pace of interest rate reductions.

The explanation for its recent spurt may lie with the foreign exchange markets. The weakness of the dollar this year has meant an effective tightening for Germany, especially if exporters are expected to drive recovery. The Bundesbank may also be trying to relieve pressure on the French franc. Even allowing for its delight in wrong-footing financial markets, though, an official rate cut following today's council meeting looks unlikely.

Williams Holdings

The rights issue from Williams Holdings is an admission that the company does not expect to generate sufficient cash internally to fund its bolt-on acquisition programme. But then the recent pace of spending has been such that it would have been hard to imagine anything else. At least the issue secures the funds to carry on for a couple of years without constant pressure on gearing. And the purchase of Solvay's woodcare and tile adhesive businesses looks sensible. The products have a strong market presence, there is room for margin improvement and the acquisition should help European distribution of Cuprinol.

That said, Williams must actually come up reasonably soon with yet more acquisitions at prices which will enhance its earnings. Otherwise it would not only stand accused of simply raising capital for purchases already made. Lack of gearing would also dilute earnings at a time when tight cover is likely to hold back dividend growth compared with other manufacturing companies.

Williams obviously believes it can clinch the necessary deals. Yesterday's share price fall just below the ex-rights price suggests the market errs marginally on the side of scepticism. A policy of focused acquisitions looks a sensible strategy for the sober 1990s. It would be comforting to think that, when the rights money is spent, the pace will have slowed to one that could be reasonably financed by internally-generated funds – and that the cash will be flowing to support it.

Compass

Compass shareholders of a nervous disposition will fear their company has lost its bearings by buying Canteen. The likely rewards seem out of all proportion to the certain risks. Corporate UK's record of buying US people businesses is atrocious. There must be a real danger Compass will only extend that run.

Compass argues it was able to negotiate exclusively with Canteen's parent, Flagstar, and is buying it at a firesale price. If so, Kohlberg Kravis Roberts, Flagstar's 67 per cent shareholder, should string up its managers by the thumbs. Canteen would surely be worth more to a US rival, which could have rationalised the merged business. They may also have paid a premium to keep a better-capitalised competitor at bay. But the exit multiple of 19.5 times is hardly cheap, even though tax benefits effectively reduces it to 15.1 times. There must be doubts about how quickly Compass can turn Canteen around given its poor trading history. Its margins have fallen from 5.5 per cent to 3.3 per cent since 1990 on static turnover. As a subsidiary of such a highly-indebted parent, Canteen is unlikely to be carrying excessive costs. Additional investment will be needed to expand.

Compass shareholders may be tempted to back the company's adventurous leap, considering the rights issue price is at a 28 per cent discount to last month's peak price. The shame is that Compass had been doing perfectly well expanding its UK business at a fair lick and minimal risk.

$1bn boost for US high-tech challenge

By Louise Kehoe in San Francisco and Michiyo Nakamoto in Tokyo

[illegible] government [illegible] expected to announce [illegible] $1bn package today [illegible] fund the development and [illegible] panel displays, such as those used in portable computers. This represents the largest US government-funded programme for commercial technology.

Japanese [illegible] dominate [illegible] $4bn-a-year [illegible] panel display [illegible] long been [illegible] for the US Defence Department, which increasingly uses flat panel [illegible] in military systems, [illegible] well [illegible] for [illegible] US computer industry, which [illegible] dependent upon foreign suppliers.

Industry groups have been urging the US government to provide funding to help establish flat panel display manufacturing in the US for several years.

The Clinton administration has [illegible] technology development funding and is expected to [illegible] matching funds [illegible] up to [illegible] for companies willing to establish flat panel display [illegible]facturing in the US.

The goal is [illegible] establish [illegible] large-scale manufacturing [illegible] in [illegible] eventually would supply [illegible] a sixth [illegible] world demand for such displays.

Until now US government funding has focused largely on research and development. [illegible] Defence Department's Advanced Research Program Agency has provided funds to companies developing equipment to make flat panel displays. The Pentagon is also subsidising construction of a pilot production line.

Those efforts will now be expanded, with the Defence and Energy Departments expected to provide a total of $450m, over the next five years, in grants.

The displays are considered to be one of the few critical technologies in which the US has failed to keep pace with foreign competitors. Sharp of Japan, the world's largest producer by far, is estimated to have a 50 per cent market share. NEC, which has about 14 per cent of the market, aims to raise that to 30 per cent by next year.

In order to stay ahead in the race to dominate the expanding market, Japanese companies have been aggressively building up capacity. Sharp, which already has two plants and produces about 100,000 10-inch display panels a month, is adding a third, planned to come on stream next year.

NEC, Hitachi and Toshiba are investing or planning to invest in the field, and IBM and Toshiba have a joint venture in Japan.

South Korean manufacturers, including Samsung and Goldstar Electronics, have also recently entered the market.

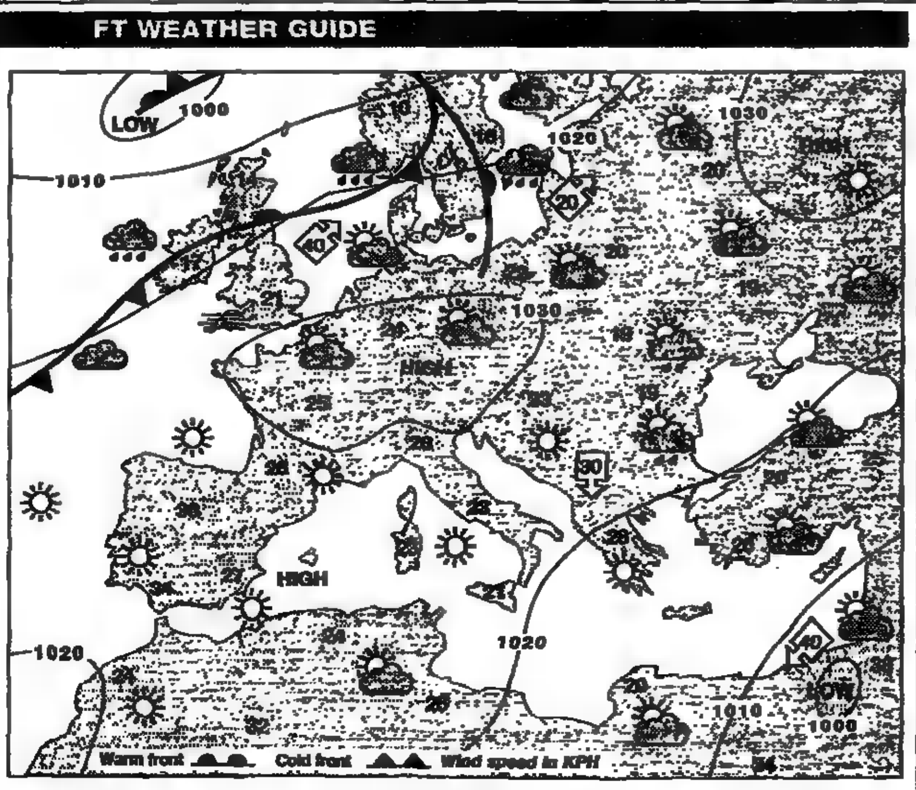
FT WEATHER GUIDE

Europe today

The Benelux, northern France and northern Germany will have a mostly cloudy, misty morning followed by some afternoon sunshine. Southern Scandinavia will be cloudy with periods of rain, especially along the west coast. Further north, it will stay mainly dry with sunny periods. Occasional rain is expected in Ireland and western Scotland, while England will have a damp and dull morning. Southern Europe will be sunny and warm, but the Balkans will have limited sunshine with widespread showers. Fewer showers will occur along the Black Sea coast [illegible] Turkey.

Five-day forecast

Most of the continent will be rather sunny and warm on Friday, though Scotland [illegible] Scandinavia will remain cloudy with periods of rain. South-east Europe will also be unsettled. The Balkans will have a few showers, but southern Turkey will see more widespread showers and thunder storms. Conditions in this region will improve during the weekend. Western Europe will turn cooler with scattered showers as a front approaches from the north. The front will eventually stall over central France on Sunday.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	42
Accra	[illegible]	[illegible]
Algiers	[illegible]	24
Amsterdam	hazy	20
Athens	[illegible]	23
Atlanta	fair	[illegible]
B. Aires	fair	20
B.ham	cloudy	19
Bangkok	cloudy	33
Barcelona	sun	22
[illegible]	fair	[illegible]
Belfast	rain	[illegible]
Belgrade	shower	[illegible]
Berlin	fair	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	17
Bombay	sun	32
[illegible]	[illegible]	[illegible]
Budapest	[illegible]	[illegible]
C.hagen	hazy	19
[illegible]	fair	33
Cape Town	fair	20
[illegible]	[illegible]	[illegible]
Cardiff	hazy	17
Casablanca	fair	24
Chicago	rain	9
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	33
Dakar	fair	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	42
Dubai	sun	[illegible]
Dublin	cloudy	[illegible]
Dubrovnik	[illegible]	23
Edinburgh	fair	[illegible]
Faro	[illegible]	[illegible]
Frankfurt	[illegible]	26
Geneva	sun	24
Gibraltar	sun	[illegible]
Glasgow	drzzl	17
Hamburg	[illegible]	[illegible]
Helsinki	drzzl	[illegible]
Hong [illegible]	[illegible]	29
Honolulu	sun	[illegible]
Istanbul	[illegible]	[illegible]
Jersey	fog	[illegible]
Karachi	sun	[illegible]
Kuwait	fair	30
L. Angeles	sun	19
Las Palmas	fair	[illegible]
Lima	fair	26
Lisbon	sun	29
London	fair	21
Lux.bourg	fair	25
Lyon	sun	26
Madeira	fair	24
[illegible]	sun	31
Majorca	sun	24
Malta	sun	[illegible]
[illegible]	cloudy	[illegible]
Manila	cloudy	34
[illegible]	shower	16
[illegible]	fair	[illegible]
Miami	thund	[illegible]
[illegible]	[illegible]	26
[illegible]	[illegible]	11
[illegible]	fair	[illegible]
[illegible]	fair	[illegible]
[illegible]	thund	[illegible]
Naples	sun	24
Nassau	thund	29
New York	fair	[illegible]
[illegible]	sun	20
Nicosia	fair	23
[illegible]	cloudy	16
[illegible]	fair	25
[illegible]	[illegible]	24
[illegible]	[illegible]	[illegible]
[illegible]	fair	35
[illegible]	fair	6
Rio	shower	[illegible]
Rome	sun	[illegible]
S. Frsco	sun	212
Seoul	fair	25
[illegible]	thund	31
Stockholm	fair	18
[illegible]	fair	27
Sydney	fair	27
Tangier	[illegible]	25
Tel Aviv	[illegible]	31
Tokyo	sho[illegible]	20
[illegible]	[illegible]	11
Vancouver	fair	16
[illegible]	[illegible]	24
Vienna	fair	23
Warsaw	fair	21
Washington	thund	[illegible]
Wellington	cloudy	[illegible]
Winnipeg	fair	[illegible]
Zurich	[illegible]	[illegible]

FINANCIAL TIMES
COMPANIES & MARKETS
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IN BRIEF

Agco takes over Massey Ferguson

Agco, [illegible] acquisitive US farm machinery group, has clinched its most [illegible] deal yet with [illegible] Massey Ferguson, [illegible] UK-based group which is one of the best-known names in the world tractor industry. Page 18

Earnings rise at BCE
An increase in demand for value-added telephone services helped BCE, the Canadian telecommunications holding [illegible], [illegible] its first-quarter [illegible] by 14 per cent. Page 17

US advice for Chinese operator
Nynex Network Systems, the principal international subsidiary [illegible] Nynex Corporation, the [illegible] *telecoms* [illegible], *yesterday* [illegible] plans to [illegible] LianTong Communications, [illegible] telephone operator, on its [illegible] development. Page 19

Compass seeks funds for US buy
Compass Group, the UK catering and healthcare concern, has launched a rights issue to raise almost £146m towards the cost of buying Canteen Corporation, the third biggest caterer in the US for $450m (£308m). Page 21

Profits rise at Trinity
Trinity Holdings, [illegible] leading specialist vehicle manufacturer, has reported a 50 per cent rise in pre-tax profits in its first full year as a publicly quoted company. Page 23

DFS jumps to £9.99m
DFS Furniture, the UK specialist upholstery retailer, yesterday reported maiden interim pre-tax profits 47 per cent higher at [illegible], a figure "bang on target" according to Mr Graham Kirkham, chairman. Page 23

Leeds Permanent up 37%
Leeds Permanent Building Society, the fifth largest society in the UK, yesterday reported pre-tax profits of £123.7m for the six months to March 31, up 37 per cent from the comparable £90.2m. Provisions for bad and doubtful debts [illegible] Leeds, fell from £84.1m to £51.9m. Page 22

Cocoa for the chop
Not so long ago cocoa was referred to as "green gold" by planters in east Malaysia. But now increasing numbers of planters, despairing of a sustained rally in world cocoa prices, are tearing up their cocoa trees. Page 24

Nikkei rises amid low volume

Many investors were absent ahead of the [illegible] Week holidays, but buying by financial institutions and investment trust funds helped stocks achieve modest gains. Volume was 210m shares, the lowest for the year as many investors refrained from activity due to the string of holidays which start on Friday. Back Page

Kia considers supply deal
Kia Motors of South Korea is looking at supplying Ford of the US and Mazda of Japan, its two largest shareholders, with its Sportage four-wheel-drive sports utility vehicle. Page 19

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Hertie	430	+	10
Linde	825	+	25
Schering	1115	+	21
Schmalbach Lub	433	+	10
Falls			
Heidelb Zem	1240	−	39
Volkswagen	524.5	−	14.3
PARIS (FFr)			
Rises			
BIC	1310	+	25
BNP	253.2	+	10.2
Credit Foncier	1174	+	48
Imetal	637	+	25
L'Oreal [illegible]	1215	+	22
Seb SA	581	+	14
TOKYO [illegible]			
Rises			
Japan Resistor	460	+	[illegible]
Mitsui	549	+	[illegible]
Nittetsu [illegible]	368	+	[illegible]
Falls			
Daito Gyorui	515	−	[illegible]
Ensuiko Sugar	1430	−	[illegible]
Fuji Seito	670	−	[illegible]

New York closed.

LONDON (Pence)			
Rises			
Adscene	287	+	12
Baldwin	119	+	11
Bett Bros	210	+	29
Bucknell	30½	+	3
Chiltern Radio	189	+	17
Copyacre	105	+	15
Eidos	223	+	35
Kleinwort Benson	483	+	38
LASMO	162½	+	9½
Portmeirion	550	+	21
Property Trust	44	+	7
Proudfoot	76	+	4
Rugby Est	134	+	11
Sage Grp	600	+	32
Seacon	96	+	6
Trinity Hldgs	308	+	18
WSP Grp	63	+	14
Falls			
Airtours	448	−	18
Colorvision	48	−	15
Jerome (S)	65	−	4
Rathbone Bros	279	−	29
Regent Corp	44	−	3
Tarmac	171	−	7
Utd [illegible]	515	−	18

IBM to sell its chips to rival Hitachi

By Louise Kehoe in San Francisco

International Business Machines is to sell the microprocessor chips that are at the core of its future mainframe and parallel computer products, to Hitachi of Japan, [illegible] long and bitter rival in the mainframe computer market.

The move is an extraordinary alliance of former enemies. For [illegible], IBM [illegible] *with Hitachi and other Japanese computer* [illegible] over [illegible] of stolen [illegible] secrets. Instead of fighting to protect [illegible] technology, IBM is now willing to sell it, even to one of its largest competitors.

Mr [illegible] Thompson, IBM [illegible] vice president, explained the move saying: "There is, quite simply, [illegible] very strong business case for us to [illegible] this.

"We will [illegible] by licensing our technology, than [illegible] would by not doing so." The [illegible] IBM include [illegible] use of its semiconductor manufacturing capacity, and [illegible] potential [illegible] expand the market for large scale systems, *he said.*

The agreement also [illegible] IBM [illegible] *effectively neutralised the threat of competition from Hitachi.* "Each Hitachi [illegible] will [illegible] revenue and profit for IBM," said Mr Thompson. "IBM will gain access [illegible] Hitachi's [illegible] base, especially in Japan."

[illegible] the [illegible], IBM will supply Hitachi with [illegible] of [illegible] microprocessors. *These chips represent* the core technology of a new generation of IBM mainframe computers [illegible] will not require [illegible] elaborate cooling [illegible] today's mainframe computers. They [illegible] built using the same complementary metal oxide semiconductor [illegible] technology [illegible] *in personal computers.*

The chips supplied to Hitachi will [illegible] *modified to include Hitachi's specifications,* IBM said, and will be used in computers being developed by Hitachi for introduction in 1996.

IBM will also supply Hitachi with its latest Powerparallel computers, to be [illegible] by [illegible] Japanese company. [illegible] computers were introduced only a [illegible] weeks ago and represent a new generation [illegible] large [illegible] computers which IBM [illegible] will play a central role in computing in the [illegible].

Hitachi plans [illegible] develop [illegible] own products for this sector of the market, based on IBM's [illegible] microprocessors [illegible] will make the IBM chips "one [illegible] primary architectures" [illegible] the future.

The companies have [illegible] *agreed* [illegible] study the potential for [illegible] development [illegible] future [illegible] *mainframe* [illegible].

Other areas for possible future collaboration include promotion of industry [illegible] dards in [illegible] computing.

CRA puts Pasminco on the block

By Nikki Tait in Melbourne

Pasminco, the only primary producer of refined zinc and lead in Australia and a leading player in [illegible] zinc industry, has [illegible] tively been put up for [illegible] by CRA, the Melbourne-based diversified mining and resources company.

CRA, in which Britain's RTZ [illegible] a 49 per [illegible] interest, [illegible] yesterday it [illegible] prepared [illegible] sell its [illegible] per [illegible] in [illegible] minco "subject [illegible] receiving an [illegible] which [illegible] price and conditions".

In addition to its current *shareholding,* CRA [illegible] option [illegible] a further [illegible] per cent of Pasminco – [illegible] which are currently held by North Broken Hill Peko, another Australian mining and [illegible] group. This expires on June 6.

If CRA were to exercise the option and then sell on the shares, it could provide a buyer with a 49 per cent holding in Pasminco. Analysts estimated that stake could fetch around A$550m (US$387m).

Speculation over possible bidders ranged widely. Names mentioned included international companies such as South Africa's Gencor and Minorco, and Canada's Teck, as well as local mining groups, such as Normandy Poseidon and BHP. Pasminco shares closed 5 cents lower at A$1.77.

CRA said the sale of the Pasminco shares would release cash *to fund the development of the* Century zinc-lead-silver deposit in Queensland. Mr John Ralph, CRA's chief executive, said the company had yet to decide on the size of development, but regardless of size, expected a development cost of around A$600m to A$800m.

This would make Century [illegible] of the largest projects un[illegible] taken in the zinc and lead industry *as an initial development,* said CRA.

For most of the 1990s, the Melbourne-based company has been dogged by the lowest zinc prices (in real terms) for three decades, and heavy debt levels.

Yesterday, North Broken Hill said only that no decision had been taken over whether North might be a possible buyer of CRA's shareholding in Pasminco. "It is unlikely that any such decision would be taken by North until after [the CRA] option [illegible] lapsed," added Mr Campbell Anderson, North's managing director.

CRA profits warning, Page [illegible]

David Lascelles and Peggy Hollinger report on moves in the independent oil sector

Lasmo set to rebuff bid from Enterprise

By Peggy Hollinger in London

Enterprise Oil [illegible] expected to *move on rival oil explorer Lasmo* this week following yesterday's statement that it was considering an offer for the company.

Any approach is expected to be heartily rebuffed by Lasmo which yesterday said a bid would be "entirely unwelcome". The group just two weeks ago took steps to bolster its weak balance sheet with a £219m ($319.7m) rights issue at 105p.

Enterprise was *forced into its* initial statement by the Takeover Panel, which is believed to have asked several companies to state their interests following recent heavy trading in Lasmo.

The high volumes sparked speculation that a predator was building a stake in advance of a possible bid. However, it is believed that Enterprise has not been buying Lasmo shares, leav*ing open the possibility of an* alternative bid.

A number of potential bidders have been mentioned, from British Gas to Arco of the US. Since the beginning of the month Lasmo's shares have risen from 114p *to last night's close of 162½p.* Enterprise shares closed 8p lower at 445p.

Enterprise said yesterday that if an offer were made, it was likely to be pitched at less than Tuesday's 153p closing price. [illegible] that level, Lasmo would be valued at £930m. However, the company stressed that it was considering a number of options regarding Lasmo and had not yet decided on a bid.

Analysts greeted the news of Enterprise's interest and the timing following Lasmo's rights issue with some puzzlement. "The question is whether investors want to swap their Lasmo shares for another oil and gas play," said one. "Enterprise would probably have to offer shares with a reasonable cash alternative."

The group is thought to have held back from launching a full bid earlier due to the stringent requirements of the New York Stock Exchange where both companies are quoted.

Enterprise's production is set to flatten out by the mid- 1990s and the acquisition [illegible] Lasmo would [illegible] *production* growth to the turn of the century.

"Banks might be more willing to fund a cash alternative given the *fact* that sentiment in the sector is improving," said Mr *Graeme Gilchrist of brokers* Barclays de Zoete Wedd.

Lex, Page 14; *LSE,* Page 25

Analysts fear the errors of ambition

Although they started out [illegible] Tweedledum and [illegible] of the UK [illegible] industry, the [illegible] of Enterprise [illegible] and *Lasmo* [illegible] hardly have turned out more differently.

Both [illegible] medium [illegible] independent [illegible] companies with [illegible] strong North Sea [illegible] *smaller operations elsewhere,* mainly [illegible] are closely geared [illegible] exploration [illegible] production, and both [illegible] avoided diversifying [illegible] downstream.

But whereas Enterprise, under *its chairman and chief executive* Mr Graham Hearne, has built a reputation for strong management and far-sightedness, Lasmo has been battered by disasters and disgruntled investors.

Much of its tarnished reputa*tion stems from the* £1bn ($1.46bn) acquisition of Ultramar in 1991. Although Lasmo subsequently sold off many of Ultramar's assets, the view remains that it greatly *overpaid.*

The strain of the acquisition came on top of a high cost structure, and an investment cycle which left Lasmo having to make its heaviest outlays at a time when the oil price was close to a 20-year low. *One of its biggest* projects is Liverpool Bay, a large natural gas development off north-east England which does not start up until 1996.

These strains culminated in the departure of Mr Chris Greentree, its chief executive, last year and its subsequent decision to pass its dividend. This month Lasmo also appointed a new chairman, Mr Rudolph Agnew, and went to shareholders with a £219m rights issue.

Enterprise has managed to cultivate a much higher reputation in the market. It has traditionally been seen as the better managed and financially stronger [illegible] the two companies. But even Enterprise has not been immune to the weak oil price.

If Enterprise was going to make a bid, it should have done so six months ago

Recently [illegible] financial performance [illegible] its 1993 profits were only up because of *exceptional tax items,* and the dividend was left unchanged. It has been slower than Lasmo in replacing production with new reserves. However, with big new fields coming on stream, such as Nelson in the North Sea, cash*flow is strong,* and *Enterprise* needs to find a home for its financial resources.

The logic in bidding for Lasmo is twofold. First, Enterprise could acquire a substantial amount of new production, probably more cheaply than drilling for it itself. Second, it would virtually double its size, and emerge as a much more formidable force in the oil business.

Although the [illegible] companies overlap geographically, [illegible] strength in [illegible] Enterprise's bias towards oil. If the oil price continues the recent run which has taken it from $12 a *barrel* [illegible] *over $15, Enterprise* [illegible] therefore [illegible] on to a profitable [illegible].

[illegible] having [illegible] that, there [illegible] a bid in the [illegible] yesterday. "[illegible] think [illegible] would be [illegible] wrong thing to do," [illegible] *Mr Mehdi Varzi, oil* industry analyst at Kleinwort Benson. He points out that Enterprise would have to find 170m barrels of oil a year to top up the *combined companies' reserves.* "That's a tall order," he says. He believes Enterprise would do better [illegible] expand by buying up oil and gas assets selectively rather than "the whole baggage".

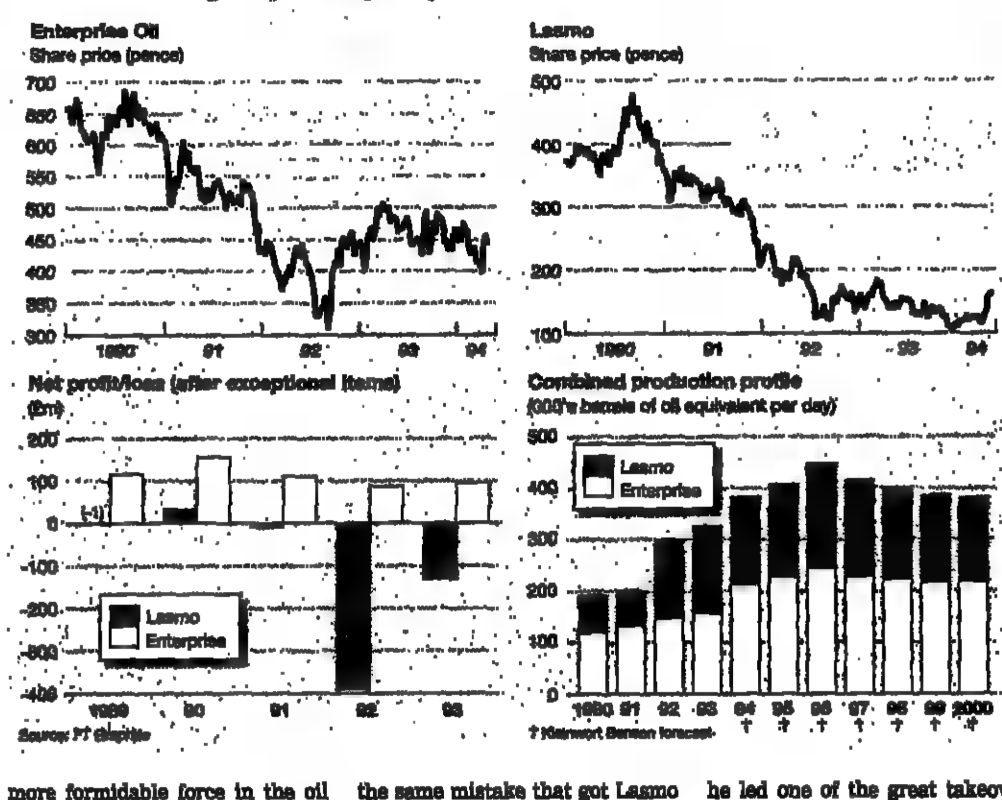
[illegible] analysts [illegible] Lasmo to be "fully valued" as an [illegible]. Now that the worst seems to have passed at *Lasmo,* the share price has recovered strongly from its low last December, partly on the strength of US buying. But Mr Lars Reierson, at *Morgan Stanley,* the US investment bank, said yesterday he doubted that any US companies would make a bid much above the present price level. If Enterprise was going to make a bid, it should have done so six months ago.

The fear is that Enterprise could end up making precisely the same mistake that got Lasmo *into its present predicament.* By taking on an over-ambitious acquisition which could double his company's size on paper, Mr Hearne might end up finding, as Mr Greentree did, that one plus one equals no more than one.

And if Enterprise did go ahead, [illegible] could [illegible] quite a battle. [illegible] made [illegible] yesterday, [illegible] would not welcome a bid. Its new chairman, Mr Agnew, is [illegible] hardened take-over warrior. As chairman of Consolidated Gold Fields, he led one of the great takeover defences of [illegible] 1980s when he [illegible] off [illegible] attack by [illegible] in [illegible].

With so little going for a bid, [illegible] speculation in the market yesterday that Enterprise was [illegible] interested in flushing out another bidder than in making [illegible] of its own. *Lasmo's fate is of vital interest to* Enterprise because the two companies compete so directly. If so, the next few days could be quite eventful.

How the oil groups shape up



Source: FT Graphite

SAS close to sale of two biggest non-core units

By Christopher Brown-Humes in Stockholm and Michael Skapinker in London

Scandinavian Airlines System (SAS) said *yesterday* it was well on the way to selling its two biggest non-core business units, *SAS* Leisure and SAS Service Partner, to European buyers.

The airline said it had almost finalised a SKr870m ($111m) deal [illegible] sell SAS Leisure, Scandinavia's leading tour operator, [illegible] Airtours, the UK holiday group.

It added that it was about to begin detailed discussions with Swissair over the sale of its Service Partner airline catering unit. This unit has been valued at up to SKr2.5bn.

Mr David Crossland, Airtours' chairman, has long expressed the desire to expand *into continental* Europe. Airtours, the second biggest [illegible] tour operator [illegible] Thomson, said it is also close to agreement to buy a cruise ship for $24m. The vendor of the cruise ship is believed to be Kloster Cruise of Norway.

Last year SAS Leisure made a SKr199m pre-tax loss on sales of SKr4.44bn.

The performance followed a SKr209m profit in 1992 and reflected depressed travel industry conditions, recession in the Nordic region and the weakness of the Swedish krona.

*The deal, which could be finali*sed today, received a cool welcome from the City of London, which marked Airtours' shares down 18p to 448p. Airtours has been criticised in recent weeks for its acquisition record.

SAS Leisure's operations include two tour operators, Ving and Always, a 50 per cent stake in Premiair, the charter airline, and a 49 per cent stake in Spanair, another charter operator. It also owns 14 hotels, mainly around the Mediterranean.

SAS wants to concentrate on core flying operations after four *consecutive* years in *the* red and last year's failed attempt to merge with Swissair, Austrian Airlines and KLM Royal Dutch Airlines in the Alcazar project. The group is also cutting costs by SKr3bn by shedding nearly 3,000 jobs over the next 18 months.

SAS said Service Partner would be *combined with* Swissair's catering division, Gate Gourmet, *if talks with the Swiss airline* were successful.

The unit achieved a SKr170m profit last year on sales of SKr4.8bn.

Earlier this month SAS sold Diners Club Nordic, a credit and charge card operation. It has also sold a stake in LanChile, the Chilean airline.

Finmeccanica issue to reduce state holding

By Andrew Hill in Milan

Finmeccanica, the Italian state-controlled engineering and [redacted] group, is planning to [redacted] about L1,700bn ($1bn) with a rights issue, which should reduce the state's shareholding to 58 [redacted] cent from 85 per cent.

The company described the capital increase, announced yesterday, as [redacted] means [redacted] privatising [redacted] large part of the group, which [redacted] main industrial and high-technology arm of IRI, the state holding company.

IRI will subscribe L493bn [redacted] new [redacted] in Finmeccanica, and [redacted] further L1,000bn will be provided by [redacted] consortium of Italian and international banks and financial institutions. The balance will be [redacted] directly from [redacted] market.

Finmeccanica intends to issue 852m ordinary shares, [redacted] L2,100 each, on [redacted] one-for-one basis [redacted] each ordinary or savings share already held. Finmeccanica's shares closed before yesterday's announcement at L2,462 in Milan.

Finmeccanica also announced a group net profit [redacted] L33.3bn for 1993, in spite [redacted] a [redacted] half loss of L159.9bn. This compares with [redacted] L186bn net profit in 1992. Turnover was slightly down [redacted] L10,971bn against L11,126bn.

The rights [redacted] step in a restructuring and privatisation of Italy'[redacted] owned industry. In March, the outgoing government [redacted] go-ahead to reorganisation of the state-controlled [redacted] industry with [redacted] L4,068bn [redacted] in capital [redacted] companies.

The formula allowed [redacted] companies, including helicopter manufacturer Agusta, to pass from Efim, the state holding company now in liquidation, to Finmeccanica without burdening the new owner with an estimated L7,000bn in debts. Finmeccanica already controls the Alenia aerospace group.

Finmeccanica said yesterday that the capital increase would be used for the acquisition of Agusta and its sister companies, and for the reduction of its own debts, which stood at L5,097bn at the end of 1993, against L5,310bn in 1992.

During 1993, Finmeccanica sold minority stakes in Union Switch [redacted] Signal and Elsag Bailey Process Automation on the US stock market, and floated [redacted] 19 per cent stake in its quoted Ansaldo Trasporti subsidiary.

Bayer rises 18% to DM755m

By David Waller in Frankfurt

Bayer yesterday became the [redacted] of Germany's big three chemicals groups to report a robust increase in profits for the first quarter of this year.

The [redacted] pre-tax profits [redacted] by 18 [redacted] to DM755m [redacted] the [redacted] months [redacted] March, reflecting the impact [redacted] extensive cost-cutting measures and an increase in all business sectors.

The [redacted] Hoechst's 16 [redacted] in [redacted] quarter pre-tax profits, announced on Tuesday. Figures from BASF, due today, are likely to reinforce the impres[redacted] that recovery [redacted] firmly under [redacted] in [redacted] European [redacted] industry.

Bayer confirmed its earlier [redacted] profits [redacted] would rise by 15 per cent to 20 per cent. Last year, pre-tax profits fell [redacted] to DM2.35bn.

Group sales in the first quarter rose by 6 per cent to DM11bn, mainly because of a [redacted] per cent increase in volume sales.

Exchange [redacted] contributed 3 per cent of the [redacted] Together these factors offset [redacted] per cent fall [redacted] selling prices.

Bayer explained that while sales were little changed in Germany, marked growth in Italy, the UK and the Benelux countries offset the downward trend in France and Spain. Sales in Europe rose 2 per cent to DM6.6bn and by 9 per cent in the US to DM2.5bn.

[redacted] a 22 [redacted] increase in sales in Asia, half [redacted] which was [redacted] increase in the value of the yen.

Orenstein plans DM144m rights

By Michael Lindemann in Bonn

Orenstein [redacted] Koppel, [redacted] German construction equipment maker, plans [redacted] DM144m [redacted] with a rights issue and expects [redacted] "modest overall profit" this year.

[redacted] company reported [redacted] DM65m, compared [redacted] a DM116m loss [redacted] year [redacted]

Krupp Hoesch, [redacted] steel [redacted] engineering group which [redacted] 75 per [redacted] O&K, [redacted] to [redacted] any [redacted] capital not subscribed by minority [redacted]. The company [redacted] trading today [redacted] Frankfurt, following [redacted] one-day suspension.

[redacted] will [redacted] paid this [redacted] expected [redacted] for [redacted]

Mr Manfred Link, chief executive, [redacted] ordered [redacted] 30 per [redacted] pay cut for members of [redacted] management board [redacted] 15 per cent cut for senior executives. Mr Link hopes this will [redacted] DM16m.

[redacted] on ordinary [redacted] year, [redacted] further DM60m [redacted] finance ongoing [redacted]

[redacted] company [redacted] 750 jobs [redacted] lost [redacted], leaving the [redacted] with [redacted] employees by [redacted] of 1994.

Redundancy [redacted] were high because [redacted] workers being made redundant had been with the company on average for 14 years, it said.

Williams' cash call prompts share fall

By Peggy Hollinger in London

Williams Holdings shares fell 9p to 379p in London as the UK industrial conglomerate called on shareholders for £267m ($404m) to carry it through the next set of acquisitions.

The rights issue confirmed speculation over how Williams would fund its strategy to build up its three core divisions – fire protection, security and building products.

The group has spent £205m on acquisitions in the past 16 months and was perceived to be constrained by a balance sheet weakened through goodwill write-offs and increasing debt. Analysts feared that with[redacted] a rights [redacted] Williams would be forced into a series of vendor placings to fund acquisitions.

"Even a small acquisition could have resulted in a substantial increase in gearing," said Mr Ian Hilliker of brokers NatWest Securities. "They now have flexibility and ... can utilise the cash flow which will be coming through from recovery." After the issue, debt as a percentage of shareholders' funds will fall to 7 per cent from 75 per cent.

Proceeds from the cash call, a one-for-seven issue of 82.9m shares at 330p, will fund the £64m purchase of a building products business in Europe.

Mr Nigel Rudd, Williams' chairman, said the balance of the rights cash would be used for a series of "bolt-on" acquisitions, particularly in Europe. Further announcements are expected in the second half of the year.

The acquisition of the woodcare and adhesive businesses of Solvay, the Belgian chemicals group, marks Williams' first large purchase on the continent and is its third buy in four months. Williams last month paid $50m for a US burner management systems group. The businesses returned pre-tax profits of £7.9m, before one-off items such as pension costs which will not be incurred by Williams. Sales for the combined businesses were about £90m.

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Hutchison stands by its Orange

The Hong Kong group is bullish about the UK, writes Simon Davies

Canning Fok: 'we are extremely encouraged by the market place'

For a man who less than five months ago killed Hutchison Whampoa's Rabbit CT-2 phone system at a costs of HK$1.4bn ($182m), Mr Canning Fok, chief executive, is surprisingly gung-ho about UK telecommunications.

The 42-year-old Hutchison chief yesterday launched the company's Orange Personal Communications Network (PCN) in the UK, saying Hutchison has expanded its budget for the system, due to the increasingly positive outlook.

"When we did our business plan in September, we didn't envisage the current level of growth. We are extremely encouraged by the market-place," said Mr Fok.

He will have to go some way to silence detractors, who feel Hutchison would do better to concentrate on its core area: the higher growth economies of Hong Kong and China.

The detractors have history on their side. The push by Mr Fok's predecessor, Mr Simon Murray, to diversify Hong Kong's largest trading conglomerate away from its reliance on the colony, has achieved little more than management turmoil and losses.

In 1991 and 1992, the company wrote off HK$2.2bn against its investment in Husky Oil, the Canadian energy company, which had collapsed.

In 1993, as Husky recovered, the UK telecommunications business contributed an exceptional loss of HK$1.4bn, and operating losses all but wiped out the sizeable contribution from the successful Hong Kong telecommunications business.

Analysts say the overseas businesses may have lost HK$5bn between 1989 and 1994. The latest cost is the HK$17.4m redundancy payment to the strategy's main architect, Mr Murray. Since Mr Fok took over in September, overseas operations have scarcely rated a mention in company statements and annual report.

The latter states that Hutchison "will continue to develop its businesses in Hong Kong, with increasing emphasis on expansion of those businesses in China". Yesterday, however, Mr Fok said he would silence detractors of these overseas businesses in the most fundamental way: by demonstrating strong profits.

He has set a precedent. Star Television was dismissed by brokers as a black hole, but Hutchison achieved a $HK1.6bn exceptional profit last year from selling a 64 per cent stake to Mr Rupert Murdoch's News Corp.

So far, Hutchison has invested £500m ($752m) in the UK business, according to Mr Fok, and a further £250m will be ploughed in over the next few years. The business is not budgeted to contribute a cent until 1997. Mr James Golub, analyst at Warburg Securities in London, said the system would be handicapped by the high price of handsets and the lack of consumer distinction between the analogue and digital services.

Standard Chartered Securities is expecting Orange to make losses of more than HK$500m per year for the next two years. Mr Fok said the operating performance remained within budget, and he refuted the assumption that the Orange system would be sold.

Mr Fok admits that Hutchison is not looking to develop new businesses outside south east Asia, but that Orange "does not stick out like a sore thumb" in the context of Hutchison's ambitious telecommunications strategy in Hong Kong.

It is planning to invest $HK3.5bn in building up a fixed line network as Hongkong Telecommunication's monopoly position gradually fades. It is bidding for a PCN licence in Hong Kong, where new entrants such as Wharf and New World Development are making telecommunications a more competitive business.

In the short-term, Hutchison's Asian property, container terminal and energy businesses can more than smooth over UK losses. Standard Chartered forecasts net profit to increase 22 per cent to HK$7.7bn this year, in spite of Orange.

Unions urge protection for bank shareholders

By Andrew Hill

Italian bank trade unions yesterday called on a new government to protect small shareholders against the influence of institutional investors on the boards of Italy's newly privatised banks.

In the last 10 days, the outcome of shareholder meetings at Banca Commerciale Italiana and Credito Italiano has led to claims that the state sell-off has concentrated power in the hands of [redacted] few institutions, led by Mediobanca, the secretive Milan merchant bank.

On Tuesday, [redacted] new board named Mr Lionello Adler as chairman, following the unexpected departure of his predecessor at Saturday's shareholder meeting.

Mr Adler is chairman of Cartiere Burgo, a quoted Italian paper manufacturer [redacted] owns just [redacted] per cent of BCI and has strong links with Mediobanca.

The merchant bank is said to have been behind a last-minute decision to remove BCI's former chairman, Mr Sergio Siglienti, from a list of 14 BCI directors proposed [redacted] the group's shareholder assembly on Saturday.

EniChem seeks buyer for detergent division

By Andrew Hill

Shares in EniChem Augusta, the Italian manufacturer of intermediate chemicals for detergents, rose sharply on the Milan stock market yesterday after [redacted] parent company [redacted] it would sell its majority stake.

About 84.25 per cent of Eni[redacted] Augusta belongs, directly or indirectly, [redacted] EniChem, the loss-making petrochemicals subsidiary of the state-owned Eni energy and [redacted] company.

EniChem announced on Tuesday that it had appointed Swiss Bank Corporation's mergers and acquisitions arm to seek a buyer or buyers for its EniChem Augusta stake.

Yesterday, there was lively activity in the few shares of EniChem Augusta quoted in Milan, with the price rising from L2,820 to L3,178 at the close. At that price, the sale could raise more than L300bn ($177m) for the parent company, which is trying to cut debts of about L10,000bn.

Last week, EniChem Augusta reported a net profit of L24.9bn for 1993, against L19.4bn in 1992, on turnover of L788bn, up 15 per cent.

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China introduced to new foreigner-friendly exchanges

The SEC has eased regulations to encourage more overseas companies to list shares in the US, writes Patrick Harverson

Mr Arthur Levitt, chairman of the Securities and Exchange Commission, is expected to sign [redacted] memorandum [redacted] *understanding* [redacted] *his* [redacted] counterparts today in [redacted] be [redacted] *step* towards allowing more compa[redacted] *from that country* to list their shares on US stock exchanges.

The [redacted] which commits the SEC [redacted] provide technical [redacted] to Chinese [redacted]lators, can be seen in the [redacted] of a long-running [redacted]paign by the [redacted] more foreign companies [redacted] sell [redacted] shares in the US. It [redacted]lows [redacted] *series of* [redacted] adopted by the [redacted] designed *to* [redacted] *it easier* and cheaper for foreign companies [redacted] tap [redacted] US capital [redacted]

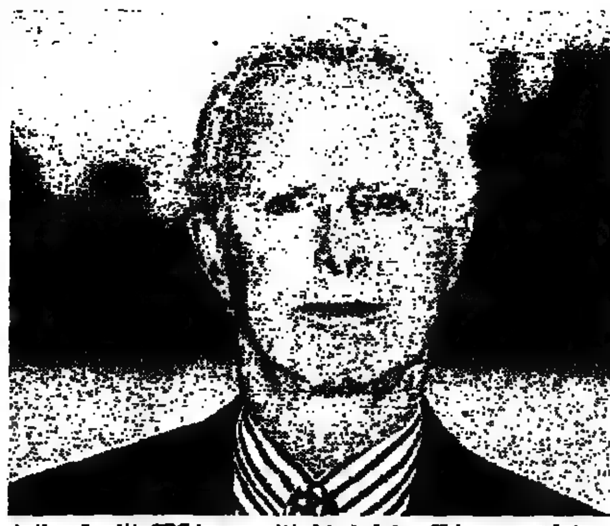
In lightening the regulatory [redacted] on prospective foreign issuers, the SEC [redacted] the US remains competitive with other important world markets [redacted] *capital* [redacted] *foreign issuers. It* [redacted] to ensure [redacted] from [redacted] for foreign securities [redacted] not [redacted] by [redacted] strict reporting requirements, which many foreign companies find costly [redacted] time-consuming.

Last week's [redacted] *include:*

- allowing foreign companies [redacted] *prepared in accordance* [redacted] international accounting [redacted]dards, *rather* than US [redacted]ing principles as currently *required;*
- allowing more companies [redacted] *use a shorter form* [redacted] standard documentation, which will reduce [redacted] filing the forms;
- and simplifying [redacted] registering share issues with the [redacted]

Other, earlier, [redacted] in [redacted] similar vein have involved broadening *the category* [redacted] allowed to buy and [redacted] privately-placed securi[redacted] issued by foreign [redacted]*nies; accommodating foreign* reporting practices, which [redacted] the [redacted] of [redacted] style quarterly reports; and granting individual companies exemption from SEC rules [redacted]erning [redacted] trading [redacted] securities immediately [redacted] distribution.

[redacted] *Linda Quinn,* [redacted] finance, [redacted] of [redacted] recent changes: "This [redacted] SEC [redacted] make clear to foreign [redacted] they [redacted] the US. While information [redacted] key to accessing [redacted] US market, [redacted] *recognise* the issue of cost and try to be responsive to [redacted] compromising [redacted] quality [redacted] the information being provided."



Arthur Levitt: SEC is committed to helping Chinese regulators

[redacted] looking to [redacted] *foreign* [redacted] needs – it knows that [redacted] the past, [redacted] disclosure have deterred many foreign [redacted] from selling their [redacted] in [redacted] US. With [redacted] foreign [redacted] growing rapidly, the SEC [redacted] to [redacted] ket's growth.

"There [redacted] appetite from [redacted] for foreign securities, [redacted] Mr [redacted] Boyle, [redacted] ADR [redacted] corporate trust [redacted] points [redacted] investors [redacted] $19bn of non-US equity [redacted] "By 1992, [redacted] figure had [redacted] $190bn and, by the end of the decade, it [redacted] forecast [redacted] approach nearly $1,000bn."

The growing hunger [redacted] foreign investments [redacted] has caught [redacted] of [redacted] issuers, [redacted] – particularly the newly-privatised companies of [redacted] Europe and Latin America – find that *their domestic markets are* incapable [redacted] supplying enough [redacted] *to* [redacted] *their capital* needs. Consequently, foreign *stock issuance in the US* [redacted] running at record levels.

According [redacted] the [redacted] information group Securities Data, $2.7bn of common [redacted] was sold by non-US companies in [redacted] first quarter of this year, well up on the the $1.3bn in the same quarter [redacted] the [redacted] rate, [redacted] total of [redacted] in non-US [redacted] issu[redacted] broken [redacted]

The *one* [redacted] capital markets [redacted] not lead the [redacted] *is in* [redacted] *equity* [redacted]ings [redacted] exchanges. The [redacted] York Stock Exchange, for example, [redacted] some [redacted] behind [redacted] London Stock Exchange – its main rival in the global securities markets – in [redacted] listings.

London lists 635 foreign stocks. Excluding the *shares of Canadian com*panies – which [redacted] long [redacted] listed [redacted] markets and [redacted] trade much like [redacted] panies – [redacted] NYSE [redacted] only [redacted] foreign [redacted] stocks. Among [redacted] markets, the [redacted] 100, and [redacted] American [redacted] Exchange *just* [redacted] *(In* [redacted] are [redacted] listings [redacted] common stock, but of ADRs, or Ameri*can depositary receipts, which* bundle individual [redacted] *to* [redacted]

US exchanges [redacted] blamed *the SEC's strict* reporting requirements for the fact they [redacted] behind London. [redacted] most commonly-cited [redacted] the SEC's restrictions is the [redacted] of German or [redacted] company share listings in the US.

German [redacted] principles differ greatly from those in the US, [redacted]cially in that they allow companies [redacted] disguise the [redacted] *their earnings perfor*[redacted] For years, the SEC *insisted* [redacted] companies [redacted] accounting standards; for years, German and [redacted] panies [redacted]

A year [redacted] however, the SEC and Daimler-Benz, Germany's biggest industrial group, reached [redacted] compromise [redacted] Daimler [redacted] on [redacted] York [redacted] Exchange.

Although [redacted] the [redacted]promising [redacted] by Daimler, [redacted] company's arrival [redacted] NYSE [redacted] breakthrough. The [redacted] hoped it [redacted] persuade [redacted] Swiss companies to seek a US listing.

Yet, since Daimler, no other German or [redacted] companies have come [redacted] the NYSE. Mr [redacted] Breeden, SEC chairman when Daimler decided [redacted] *the* [redacted] *markets,* [redacted] not surprised by this [redacted] *follow-up.*

"Typically, there [redacted] a period *of longer* than [redacted] first [redacted] from [redacted] country [redacted] in. [redacted] companies tend to sit back and watch [the first company's] experience [redacted] about a year, to [redacted] the trading in the securities looks like, and [redacted] the benefits seem [redacted] be."

These days Mr Breeden helps *foreign companies* [redacted] their shares in the *US in his capacity as head of* the financial services group at *Coopers & Lybrand.*

NYSE chairman Mr William Donaldson, while applauding the SEC's [redacted] to [redacted] it easier for foreign [redacted] to [redacted] the US markets, still admits to [redacted] frustration [redacted] the [redacted] change. "We're moving in [redacted] right direction, but I'd like [redacted] *see* [redacted] *happen faster,*" [redacted]

However, Mr [redacted] points [redacted] that [redacted] SEC is not a [redacted] for [redacted] stock exchanges. "The SEC's [redacted] to protect investors." [redacted] should [redacted] involved in [redacted] global [redacted] *disclosure* [redacted]dards.

Declining oil price hits profits at Chevron

By Patrick Harverson in New York

Chevron has become the latest US oil group to suffer from declining oil prices, with [redacted] 14 per cent drop in first-quarter earnings, to $424m.

After special charges of $36m [redacted] environmental remediation [redacted] and the resolution of certain royalty [redacted] with regulators, [redacted] group posted net income [redacted] *$388m, or* [redacted]

Blaming lower oil prices for *the earnings decline, Mr Ken* Derr, chairman and chief [redacted]utive, said the group's "crude oil realisations [redacted] about $4 per barrel [redacted] than in [redacted] year's first quarter". He [redacted] said temporary stoppages squeezed the group's [redacted] margins.

The negative impact of [redacted] developments [redacted] partly [redacted] *by higher production volumes* and downstream sales margins from international operations, rising US natural [redacted] prices, and lower operating and administrative [redacted] which [redacted] cents a barrel [redacted] $6.47.

Total group [redacted] fell [redacted] *$8.3bn, from* [redacted] *in* [redacted] quarter [redacted]

BCE ahead 15% in first quarter

By Bernard Simon in Toronto

Rising [redacted] *for* [redacted] telephone services helped BCE, [redacted]tions holding company, boost first-quarter earnings by 14 per cent.

But BCE, Canada's biggest private-sector company, warned yesterday that regulatory *barriers in Canada could* slow the convergence of telephone, television and computer technologies which has become [redacted] high priority of its corporate [redacted]

"[redacted] are increasingly *nervous* [redacted] [the [redacted] and regulatory] environment," Mr [redacted] executive, told the annual [redacted] in Toronto. "They perceive the regulatory [redacted] as [redacted] uncertain, the direction [redacted] *policy as* [redacted] unclear. We need to [redacted] markets will be [redacted] to us as [redacted] in [redacted]"

First-quarter earnings rose to C$251m (US$181.8m) [redacted] 74 [redacted] share, from C$221m, or 66 [redacted] year earlier. Revenues [redacted] C$5bn against C$4.73bn.

[redacted] bulk of the earnings [redacted] from Canadian telecommunications, mainly Bell Canada, [redacted] country's biggest phone [redacted]uted [redacted] to consolidated *earnings, up from C$132m* [redacted] The performance [redacted] *higher sales* [redacted] a growing [redacted] of optional phone services, growth [redacted] access [redacted]vices, [redacted] payments from long-distance competitors for *access* [redacted] *local* [redacted]

BCE's [redacted] include a 53 per [redacted] stake in Northern [redacted] the telephone equipment maker; 20 per cent of Mercury, the UK telephone company; and [redacted] per cent of [redacted] *US-based* cable-TV operator.

Northern Telecom contributed C$63m of BCE's first-quarter earnings, up from C$47m. But most of the 1994 contribution came from a *C$51m gain from the sale of a* plant in Saskatchewan.

Mr Wilson said while recent results have been disappointing, BCE has firmly positioned itself in the telecoms business by selling all non-telecom assets. After costly diversification in the early 1980s, Mr Wilson pledged that telecoms is "the only [redacted] that we intend to pursue".

Northern Telecom sells US finance arm

By Bernard Simon

Northern [redacted] another step in [redacted] restructuring by selling its [redacted] arm [redacted] GE Capital, the fast-growing US financial [redacted] group [redacted] by [redacted]

The [redacted] of Northern [redacted] Corporation, [redacted] *in Nashville, Tennessee,* will [redacted] US$600m. Pro[redacted] will [redacted] mainly [redacted] reduce Northern's long-term debt, which [redacted] $1.51bn [redacted] end [redacted] 1993.

GE Capital [redacted] an ambitious expansion strategy in [redacted] months, ranging from a $2.2bn bid for Kemper, the Chicago-based financial [redacted] mutual-funds group, to the acquisition of Canada's biggest vehicle-leasing *company,* and an Austrian computer finance business.

Its assets totalled $118bn at the end of 1993, and it has a strong balance sheet, having been one of the most consistently profitable US financial [redacted] companies.

[redacted] *more* than $1bn from [redacted] sales. In [redacted] recent, it sold its [redacted]based submarine cable business [redacted] a fibre-optic manufacturing plant in Saskatchewan.

Leisure product sales bolster Bombardier

By Bernard Simon

Bombardier, [redacted] Canadian transport equipment maker, lifted fiscal [redacted] earnings by almost a third, due *chiefly to a* surge in demand for its recreational snow vehicles and [redacted]

The Montreal-based company's railway rolling-stock business continues to suffer [redacted] from [redacted] Eurotunnel contract, though this segment is expected to return to [redacted] this year.

The quarterly [redacted] has [redacted] 7.5 [redacted] from 5 [redacted]

Net earnings climbed [redacted] C$175.6m (US$127.2m), or C$1.12 a share, in the year [redacted] January 31, from [redacted] or 85 cents, [redacted] previous 12 months. [redacted] rose [redacted] C$4.77bn from C$4.45bn.

Pre-tax earnings from [redacted] motorised *consumer* products [redacted] soared to C$76.4m from C$28.6m. *The sharp* increase was attributed to strong [redacted] the [redacted] (which [redacted] waterborne motorcycle), [redacted] revamped line of Ski-Doos (which [redacted] a motorcycle with skis [redacted] wheels) [redacted]

[redacted] income fell [redacted] C$136.5m [redacted] Although revenues and operating income were unchanged, interest charges rose steeply, reflecting heavy capital investments.

Bombardier's aerospace [redacted] include [redacted] in [redacted] Brothers [redacted] Northern Ireland, the [redacted] business [redacted] maker Lear, [redacted] Havilland, the Toronto-based commuter aircraft maker.

Pre-tax [redacted] equipment narrowed to [redacted] from [redacted] with revenues growing slightly [redacted] C$1.3bn.

The company predicted a "slow recovery" in this segment in 1994-95, [redacted] partly to the settlement reached with Eurotunnel last December.

Agco clinches Massey takeover

By Andrew Baxter in London and Laurie Morse in Chicago

Agco, the acquisitive US farm machinery group, yesterday clinched its most ambitious deal yet with [illegible] takeover of [illegible] Ferguson, the UK-based group which [illegible] one of the best-known names in the world tractor industry.

Agco, based near Atlanta, is paying $310m in cash and 500,000 of its own shares to Massey's parent company, Buffalo-based Varity, which wants to concentrate on its core interests in Perkins diesel engines and Kelsey-Hayes automotive braking systems.

The deal thwarted [illegible] $350m offer from a European group of managers led by Mr John Sword, [illegible] former chief executive of Massey.

But, as expected, Agco won the contest because of its close ties with Varity following its 1992 purchase of Massey's North American marketing and distribution operations.

The historic sale ends a long association between Mr Victor Rice, Varity's ebullient chairman, and the farm equipment industry. Mr Rice led Massey Ferguson, then based in Toronto during its financial restructuring [illegible] retrenchments of the late 1970s and early 1980s. The parent company name was changed to Varity in 1986.

Yesterday's deal was greeted with relief at Massey, which has seen Varity's strategic priorities changing as it has become more deeply engaged in the automotive industry. "Agco is in the farm equipment business, which [illegible] our business," said Mr Dominic Chauvin, Massey's president.

The deal will more than double Agco's size, giving it sales of about $1.5bn this year. It will allow Agco to expand its North American farm equipment distribution network worldwide, and give it a significant European manufacturing base. Massey's last North American factories closed in the 1980s and its remaining plants are at Coventry in the UK and Beauvais, France.

Massey has dealers in 140 countries, which Agco plans to use to market equipment lines now sold principally in North America.

Mr Chauvin said the deal would reinforce Massey's position in North America, and offer extra opportunities for the two European plants. He stressed that Massey would continue as an entity and as a brand.

Mr Robert Ratliff, Agco's chairman, said it had agreed to pay a premium to book value for the first time because of the high regard the Massey Ferg[illegible] trademark commands.

Agco intends to finance the purchase with an equity offering or through subordinated debt.

Varity said it expected to use the proceeds to reduce debt and invest in "high-return high-growth" product programmes at Perkins and Kelsey-Hayes. It said Agco had negotiated a 10-year supply agreement with Peterborough-based Perkins, whose engines are fitted on virtually all Massey's products.

June date for launch of Euro Disney rights [illegible]

By Alice Rawsthorn in Paris

The Euro Disney banks yesterday finalised plans to underwrite a FFr6bn ($1bn) rights issue as part of the troubled leisure group's FFr13bn rescue package, and hope shortly to officially launch the issue.

All the 61 international banks belonging to the Euro Disney loan syndicates were asked to participate in the underwriting of the rights issue, which forms a critical part of the rescue deal.

Walt Disney, the US entertainment company that owns 49 per cent of Euro Disney, is committed to taking up its full entitlement, leaving the banks to organise underwriting for the remaining FFr3.06bn in shares.

The banks, which last week endorsed proposals to waive their entitlement to interest payments from Euro Disney for 18 months, have for weeks been in intense discussions over the underwriting arrangements. However, a senior banker involved with the negotiations said that by yesterday the underwriting had been over-subscribed.

Caisse des Dépôts, the state-controlled French financial institution, will be the leading underwriter after Walt Disney, having volunteered to sub[illegible] for FFr790m [illegible] the [illegible] Banque Nationale de Paris and Banque [illegible] joint heads of the banks' steering [illegible], have offered [illegible] take up FFr300m and FFr200m respectively.

The banks now plan to press ahead with the final preparations for the rights issue. The terms of the issue and price of the shares will be announced within the first two weeks of June. The issue is scheduled for completion by July 14 at the latest.

BNP and Indosuez are now attempting to secure unanimous agreement from the banks to authorise the entire FFr13bn [illegible] package, which includes Euro Disney repaying half its FFr20.3bn net debt and Walt Disney waiving [illegible] entitlement to [illegible] from the European company.

A majority of the 61 banks have already formally accepted the package. BNP and Indosuez originally set a deadline of yesterday for the remaining banks to agree. However, some 10 banks last night had not yet given their agreement. BNP and Indosuez [illegible] to have [illegible] their approval by early next week.

Procter & Gamble slips 4%

By Richard Tomkins in New York

Procter & Gamble's recently-revealed losses on financial derivatives resulted in a 4 per cent fall in third-quarter net profits [illegible] from [illegible], the US consumer products group reported yesterday.

Earlier this month Procter [illegible] Gamble said it would be taking [illegible] charge of $102m against [illegible] profits in [illegible] quarter to close out two highly-leveraged [illegible] contracts that turned sour.

Without the charge, which the company described as an unusual item, net earnings [illegible] by 16 per [illegible] to [illegible]

Mr Edwin Artzt, chairman and chief executive, said that the quarter had been a strong one.

Pre-tax operating profits were up 20 per cent from the comparable period, he said, partly as a result of cost-cutting measures and partly because the group had seen solid unit volume gains in the US and double-digit volume growth internationally.

Last year [illegible] group embarked on a plan to close 30 plants and shed 13,000 jobs to cut costs and [illegible] brands [illegible] competition from low-price and own-label products.

Sales in [illegible] latest quarter improved by only 1 per cent to $7.44bn from $7.35bn. Earnings per share, fully diluted and including the $102m charge, fell to 64 cents from 66 cents.

For the nine months to date, sales fell by 1 per cent to $22.79bn from $23.07bn - though the company said if the impact of exchange rates were excluded, they would have risen by 3 per cent.

Net income for the nine months was $1.81bn.

Procter & Gamble said comparisons with the previous year's $563m were not meaningful because the earlier figure had been restated to reflect [illegible] changes.

Underlying earnings, excluding the $102m charge, had risen by 13 per cent to $1.91bn, from $1.69bn and on the same basis, fully diluted earnings per share had increased to $2.61 from $2.22.

Zenith Data aims to break even to aid privatisation of Bull

By John Ridding in Paris

Zenith [illegible] Systems, [illegible] loss-making microcomputer subsidiary of Groupe Bull, the French state-owned computing group, expects a strong increase in sales this year and aims to break even at the operating level, Mr Jacques Noels, chief executive, said yesterday.

An improved financial performance at ZDS is seen as an important element of plans to privatise Groupe Bull.

The French company is currently negotiating with industry partners which could take stakes in the group as part of the government's plans to reduce its 73 per cent holding.

Mr Noels said that sales should rise by about 30 per cent to $1.3bn this year, following a strong first-quarter performance in which turnover grew by 73 per cent over the same period in 1993. The strong growth contributed to a 21 per cent increase in sales in the parent company, to FFr6.2bn ($1.06bn), in the first quarter of 1994.

According to Mr Noels, the improved sales performance reflected recovery in the US market, where ZDS is based, improved consumer demand for portable computers and the benefits of its strategic relationship with Packard Bell of the US.

Last June, ZDS took a 20 per cent stake in Packard Bell and agreed to supply note-book and sub-notebook computers to its partner. In return, ZDS gained access to Packard Bell's marketing and distribution network, which includes 7,000 outlets in the US market.

The ZDS chairman said that he hoped the company would return to profit at an operating level this year, with profits at the net level targeted for 1995. He said that cost-cutting measures, including a reduction in the workforce from about 1,700 to 1,500 by the end of the year, would help achieve this objective.

Mr Noels declined to specify the results achieved by ZDS last [illegible] but it [illegible] thought to have [illegible] a big contributor [illegible] Groupe Bull's FFr5.07bn loss.

Xerox starts off year with 5% improvement

By Richard Tomkins

Xerox, [illegible] document processing [illegible] reported [illegible] 5 per [illegible] in first-quarter net profits from $125m a [illegible] ago [illegible] on [illegible] core operations. It [illegible] the [illegible] would [illegible] been 21 [illegible] without [illegible] of [illegible] $17m tax [illegible] in last year's [illegible] quarter.

However, fully [illegible] on the document processing [illegible] from [illegible] of [illegible] per [illegible] in [illegible] equity following [illegible] June's [illegible] offering.

Total [illegible] net income fell from $189m [illegible] $129m, but Xerox said [illegible] comparison [illegible] not meaningful [illegible] last year's figures included $77m from discontinued operations – mainly a [illegible] gain on the sale of Van Kampen Merritt, an asset management company.

Mr Paul Allaire, chairman and chief executive, said the increased income from document processing was due to productivity improvements and strong growth in equipment sales.

The world-wide document processing workforce declined by 4,200 in the first quarter in line with company's restructuring plan announced in December.

Document processing revenues rose 1 per cent to $3.27bn – the rise would have been 5 per cent without the effect of exchange rate fluctuations. Revenues from digital products grew 21 per cent net of currency effects, and now represented 19 per cent of revenues.

Inflation in Brazil meant foreign currency losses shot up from $23m to $61m.

AMR in PWA deal

AMR, the parent [illegible] American Airlines, has [illegible] a [illegible] agreement with Canadian Airlines, an [illegible] PWA, through which AMR will make an equity investment [illegible] C$246m (US$178.2m) in Canadian for a one-third economic interest, Reuter reports.

The deal is for a comprehensive, 20-year [illegible] ment and in the first full year [illegible] revenue value [illegible] would be about US$115m.

European trading holds back 3M

By Frank McGurty in New York

[illegible], the diversified US manufacturing group, said that economic [illegible] in Europe and Japan and unfavourable currency fluctuations continued [illegible] hamper its performance in [illegible] first quarter.

Net income slipped to $306m, [illegible] a share, from $330m, [illegible] cents, in the first three months [illegible]

[illegible] a previously-announced charge [illegible] $35m [illegible] to breast-implant litigation were excluded, earnings would have come in [illegible] share.

All figures [illegible] adjusted [illegible] reflect a two-for-one stock split effective last month.

In spite of solid gains in the [illegible] and other Asian markets, sluggish conditions in Europe and Japan limited overall growth in sales volume to 6 per [illegible]. That level represents [illegible] slowdown from the [illegible] quarters, [illegible] volume has grown by 7 [illegible] cent on aver[illegible]

The volume gain translated into a meagre [illegible] per cent [illegible] in revenues [illegible] $3.62bn, as improvement was limited by the strength of the dollar and a 2 per cent decline in prices worldwide.

The group, whose products range from recording tape and arts supplies [illegible] industrial adhesives and sealants, [illegible] that its performance in the US was encouraging, as it outpaced the rate of economic growth.

Operating income in the home market climbed 13 per cent, offsetting a slight decline overseas.

The results were in line with the expectations of Wall Street.

In spite of the lacklustre first quarter, Mr L.D. DeSimone, chairman and chief executive, said the company saw no reason to revise its forecast that 1994 earnings would exceed last year's $2.91 a share.

هكذا من الاصل

US power behind the telephone

Nynex Network Systems will be advising an emerging Chinese network, writes Simon Holberton

Nynex [redacted] Systems, [redacted] principal [redacted] subsidiary of Nynex Corporation, the US telecoms [redacted], yesterday stole the march on its competitors and announced plans to [redacted] LianTong [redacted] cations, China's [redacted] ond telephone operator, on its future development.

LianTong, which [redacted] main beneficiary [redacted] the [redacted] the ministry of post and telecommunica[redacted]ns' domestic tele[redacted] monopoly last December, [redacted] to become a nationwide provider [redacted] services in China within [redacted].

Foreign equity participation in the [redacted] telecoms market [redacted] not permitted, but Nynex [redacted] well [redacted] benefit from [redacted] relaxation in policy. It [redacted] on [redacted] to structure [redacted] will be [redacted] second [redacted] carrier, which has ambitions [redacted] control around [redacted] cent [redacted] the mainland's [redacted] the [redacted].

Although China [redacted] back plans [redacted] develop the [redacted]try's telecoms infrastructure [redacted] 70m telephone lines [redacted] the [redacted] 2000, from the 100m originally planned, [redacted] still [redacted] Beijing will [redacted] foreign ownership. There are currently around [redacted] in China.

LianTong [redacted] jointly [redacted] by three central government departments – electronics, power, [redacted] railways. The latter [redacted] extensive "private" telecoms networks throughout China.

[redacted] company [redacted] capitalised [redacted] Y600m ($5.8m), but [redacted] much [redacted] through a [redacted] of [redacted] equipment credits if [redacted] to [redacted] its ambitious growth plans, according to Nynex executives.

Nynex and the ministry of electronics industry (MEI) will jointly study [redacted] interconnecting [redacted] operated by the power and railways ministries. The rail[redacted] telecoms network [redacted] the largest "private" net[redacted] in China.

In addition, they will study [redacted] technologies [redacted] deploy [redacted] telecoms systems, [redacted] as [redacted] telephony [redacted] systems, in [redacted]. Nynex [redacted] it and the MEI [redacted] study [redacted] of [redacted] joint [redacted] that [redacted] plan [redacted] China.

Mr Joseph Farina, president [redacted] Nynex Network Systems, [redacted] ministry [redacted] at [redacted] forefront of [redacted] tele[redacted] in China. He said both parties would benefit [redacted] "testing [redacted] century [redacted]munications services".

Mr Henry Van Demark, executive managing director, greater China, said China was [redacted] special position in being [redacted] consider introducing advanced technology solutions [redacted] basic telecoms needs.

[redacted] of providing a system capable of providing telephony, video on demand and karaoke is not much more expensive than a system providing a basic telephone service. [redacted] longevity of the system – [redacted] 30 to 50 [redacted] – [redacted] greater, [redacted] said.

Initially, however, the Nynex/MEI study [redacted] how to connect the rail and power ministries' telecoms networks to see if they could be used as the foundation for the [redacted] telecoms [redacted] LianTong has [redacted] approved [redacted] offer. Approval [redacted] given for excess capacity on the rail network to be [redacted] long-distance communication.

CRA warns it may fail to maintain results

By Nikki Tait in Melbourne

CRA, [redacted] Australian mining [redacted] resources group in which RTZ of [redacted] UK holds [redacted] interest, yesterday warned [redacted] was unlikely [redacted] match [redacted] profit [redacted] in the current year.

Mr John Uhrig, chairman, told [redacted] annual meeting in Melbourne [redacted] "if metal prices and currencies remain as they are at present there will be a substantial reduction in sales revenue in 1994, compared with last year, making it difficult to come near the 1993 level of profit from operations in 1994".

Last year, CRA saw sales revenue of A$5.93bn (US$4.17bn) and an operating profit before tax of A$1.06bn, up from A$730.7m in the previous year. Mr Uhrig said that, while the year "had started fairly strongly," coal profits had been hit by recent industry-wide stoppages called to protest [redacted] price agree[redacted] reached [redacted] the Australian producers and Japanese buyers.

"The [redacted] three quarters will feel the impact of lower prices [redacted] iron ore and coal sold to Japan," he [redacted].

The company, [redacted] has been critical of [redacted] Australian federal government's native title legislation and warned that this would drive exploration activity overseas, also said that it expected to concentrate around 70 per cent of its exploration efforts in Australia this year, compared with around 80 per cent last year.

Directors came under fire from an Indonesian representative, who queried the adequacy [redacted] compensation [redacted]ments being paid to local [redacted] in project areas there and the provision of electricity and water to villagers. CRA, he [redacted] told, paid "what [redacted] proper and appropriate for the people, and the situations they are in".

Kia considers supply deal

By John Burton in Seoul

Kia Motors of South Korea is considering supplying Ford of the US and Mazda of Japan, its two largest shareholders, with its Sportage four-wheel-drive sports utility vehicle.

Under the proposed arrangement, Kia would start shipping Sportage vehicles to Ford and Mazda later this year for sale in the US and Japan under their own badges.

In addition, Ford would assemble the Sportage in Australia and Taiwan from knock-down kits supplied by Kia, while Mazda would do the same in south-east Asia. The [redacted] 50,000 units.

But [redacted] proposal [redacted] being [redacted] by [redacted] it [redacted] Sportage by [redacted] expanding distribution network [redacted] the US.

[redacted] establishing [redacted] products being [redacted] Sportage and the Sephia compact [redacted].

Industry analysts predict [redacted] Sportage could [redacted] particularly popular [redacted] US, [redacted] only [redacted] competi[redacted] is [redacted] by [redacted].

Sportage [redacted] helping [redacted] export [redacted] Europe, [redacted] with [redacted] Sephia. On Tuesday [redacted] that [redacted] planned to [redacted] up to 30,000 of the [redacted] annually [redacted] Germany in co-operation with Karmann.

[redacted] and Mazda, [redacted] hold 10 [redacted] of [redacted] respectively, initially [redacted] supplied [redacted] the Sportage [redacted] year. Kia [redacted] request, saying [redacted] production capacity of [redacted] Sportage [redacted] could not meet their [redacted].

The [redacted] now reconsidering [redacted] proposal [redacted] their request [redacted] holding negotia[redacted] royalty payments.

If it accepts the proposal, Kia would boost production of the Sportage to 100,000 units by the end of the year at its factory in Asan, South Korea.

Samsung defies car plant report

By John Burton

Samsung, one of South Korea's largest conglomerates, has said it will [redacted] ahead with the production of passenger cars in spite of possible government [redacted]pposition.

It announced that it would start building a factory for passenger cars in July at a yet undetermined site and begin producing vehicles at the end of 1997, making it the country's fifth car company.

The statement followed a report on Tuesday by a state research institute warning that Samsung's entry into the car industry could lead to excess production capacity.

Samsung Heavy Industries is holding negotiations with Nissan and Toyota on the supply of vehicle technology.

Korea's big three carmakers – Hyundai, Kia and Daewoo – have also expressed opposition to Samsung's entry, claiming it would severely disrupt the Korean motor industry.

The government may try to block Samsung's proposed car project by turning down its application for the import of foreign technology. Samsung is expected to file an application with the ministry of trade and industry next month.

The ministry [redacted] right [redacted] refuse a foreign technology import request if [redacted] the national economy.

The report by [redacted] Institute for Industrial Economics [redacted] Trade [redacted] is associated [redacted] the ministry, could be used to block Samsung. It was commissioned by the Korea Automobile Manufacturers' Association, [redacted] that Samsung's [redacted] Japanese technology would damage [redacted] to [redacted] self-sufficiency [redacted] the [redacted] industry. It would also lead to [redacted] imports [redacted] car components, harming [redacted] trade [redacted].

[redacted] the KIIET [redacted] cited sev[redacted] advantages, including expanding consumer [redacted] forcing competing car[redacted] improve production efficiency [redacted] quality.

Lion Nathan posts 42% increase

By Terry Hall in Wellington

Lion Nathan, the [redacted] Zealand brewing group, yesterday reported a [redacted] in tax-paid profits to NZ$113m [redacted] the [redacted] to February [redacted], helped by [redacted] improving [redacted] from its [redacted].

Mr Douglas Myers, [redacted] said profits from [redacted] Australian subsid[redacted] a [redacted] during September and October, during industrial trouble that cut production. He said market share had recovered in the last quarter, although [redacted] problems were [redacted] by [redacted] fall in [redacted].

In New Zealand the company had increased its market share of the beer market to 59.3 per cent, against the Singapore Breweries-Heineken joint venture which recently gained control of [redacted] Group, Lion [redacted] leading competitor.

Mr Myers [redacted] confident profits [redacted] in the full [redacted] before [redacted].

The interim dividend from retained earnings is being lifted by 1 cent to 7.5 cents a [redacted].

Earnings per share were 20.6 cents, against 17.3 cents.

INTERNATIONAL CAPITAL MARKETS

Bundesbank repo rate cut prompts European rally

By Sara Webb in London and Frank McGurty in New York

European government bond markets rallied yesterday, helped by the Bundesbank's decision to lower its repo rate by a further 11 basis points to 5.47 per cent.

GOVERNMENT BONDS

But market participants said they did not expect to see the German central bank follow up its repo move with further cuts in the key discount and Lombard interest rates.

The Bundesbank accepted bids amounting to DM55.1bn in its latest round of 13-day securities repurchase agreements at rates of 5.47 per cent and above, down from last week's rate of 5.58 per cent.

The bund market remained firm on the news, and the Liffe bund futures contract, which opened at 94.66, traded from a low of 94.52 to a late afternoon high of 95.12.

"The bond markets see that (11 basis point repo cut) as reasonably generous," said Mr Adrian James, bond analyst at NatWest Capital Markets.

Mr Reimut Jochimsen, Bundesbank council member, was quoted as saying that the German central bank did not have to worry about any special inflationary factors at present. However, he added that the trend in M3 money supply growth made it difficult to make decisions on interest rates.

German M3 grew at an annualised rate of 15.2 per cent in March [illegible] 17.5 per [illegible] in February, way above the Bundesbank's target growth range of [illegible] to [illegible] per cent.

[illegible] government bond prices followed the German bund market, as the rate cut raised hopes that the Bank of France may lower its intervention rate today.

■ UK gilts slipped back in the wake of the Bank of England's auction yesterday, reflecting disappointment at the cover ratio, but the market later recovered to close little changed on [illegible] day.

The Bank of England sold £2bn of the 6 per cent stock due 1999 at an average price of 93.28, corresponding to a yield of 7.46 per cent.

The lowest accepted bid was [illegible] (yielding 7.47 per cent) and the highest bid was 93.26 (yielding 7.44 per cent). The cover ratio, which is the ratio of total bids to the amount of stock actually sold, was 1.7 times, which dealers said was below expectations.

The gilt market fell back immediately after the auction results were announced, and the auction stock traded down to about 93.12 in the afternoon before recovering.

The Liffe gilt futures contract opened at 107.07 and fell to a low of 106.13, but then climbed back to settle at 106.27, almost unchanged on the previous day's close.

■ In the US, trading in Treasury bonds was suspended as the country observed a day of mourning in honour of former president Richard Nixon, who died at the weekend.

The more positive tone established over the past week is likely to be tested this morning when the commerce department is scheduled to release its preliminary estimate of first-quarter GDP.

Forecasts centred on a growth rate of 3.4 per cent in real terms, although several economists were expecting the figure of less than 3 per cent. Many of them had shaved a half percentage point from their earlier forecasts a fortnight ago, when the government revealed a big decline in exports.

Mr Jack McIntyre, an analyst at Technical Data in Boston, said that if GDP comes in below [illegible] per cent, bond prices are likely to jump and the yield on the benchmark 30-year Treasury could test the 7.00 per cent mark. At Tuesday's close, the long bond was yielding 7.10 per cent.

■ Japanese government bonds ended close to the highs of the day, buoyed by the strength of the currency and the release of weaker-than-expected economic data.

Dealers said the market tone remained firm, with the Japanese currency trading at around Y103 to the dollar, and the release of retail sales figures – which were down 3 per cent year-on-year – showed that consumer demand remained poor. The June futures contract opened at 111.94 and reached a high of 112.48, ending Tokyo trading at 112.44.

EC may widen derivatives rules

By Tracy Corrigan

The European Commission may modify its solvency ratio directive so that it will cover a broader range of derivative instruments.

Mr Paolo Clarotti, head of banking and financial institutions at the Commission, said the changes "will increase the charges to banks for so-called off-balance sheet risk".

Currently, foreign exchange and interest rate derivatives are covered under the solvency ratio directive. In the future, equity, metal and other commodity derivatives may also be covered. In addition, the two levels of capital required for derivatives maturing in [illegible] than or more than one year are likely to be expanded to three categories: less than one year, one to five years, and more than five years.

In addition, the scope for netting – which allows banks to offset exposure to the same counterparty – will be expanded.

The EC solvency ratio directive was issued in July 1988, in conjunction with the Basle Committee's rulings on solvency ratios.

The Basle Committee is currently working on new rules for market risk, but this work is likely to take considerably longer to complete. These rules force banks to set aside capital to cover various types of risk.

Mr Clarotti also said that he would head a working group on derivatives to be set up by the Commission in June. The group, which will include bankers from various member states, will look into the risks to the financial markets posed by derivatives.

CBoT in Globex move

By Laurie Morse in Chicago

The Chicago Board of Trade is negotiating [illegible] extend its participation in Globex, the electronic trading system, even as it explores alternatives for after-hours trading.

The futures exchange, which earlier this month voted not to continue its Globex partnership with Reuters, the Chicago Mercantile Exchange and Matif, was due to drop off Globex trading screens today.

However, the CBoT and the CME are under pressure from their member-firms to reach a compromise. The CBoT has said it would develop its own local after-hours trading system, but it would not be available until late summer.

Globex customers hope at least to keep the CBoT on line until an alternative is available. "We'd love to see no time in the dark ([illegible] CBoT T-bonds)," said Mr [illegible]n Benjamin, a managing director of Smith Barney Shearson in Chicago.

A statement issued jointly by the CME, Matif and Reuters late on Tuesday said: "At the request of the CBoT, (we) are prepared to offer an extension of the period for listing the CBoT's instruments on Globex until May 20 1994. This offer is made in view of the overwhelming support for Globex by members and customers and their desire for the CBoT to reverse its decision to withdraw from Globex." Mr Patrick Arbor, CBoT chairman, said the extension had not been agreed upon. "They've set a price tag (for the extension) that we haven't agreed to," he said.

[illegible] Korean convertible sector [illegible]

South Korean companies issued Won491bn in convertible bonds in the first quarter of this year, against Won398.2bn for all of 1993, the [illegible] Supervisory Board said, [illegible] reports from Seoul. In [illegible] they issued [illegible] convertible bonds.

In April, South [illegible] companies planned to [illegible] bonds totalling Won298bn, [illegible] will bring [illegible] four-month [illegible] to Won789bn, [illegible]. Analysts expect such [illegible] Won2,000bn [illegible] Won 3,000bn [illegible] all [illegible].

The [illegible] by [illegible] companies [illegible] costs, as they normally carry lower [illegible] than corporate bonds.

Foreigners will be [illegible] buy [illegible] around June.

Good demand for Elf Aquitaine's FFr1.5bn issue

By Conner Middelmann

With the US Treasuries market [illegible] for a national day of mourning for former US President Richard Nixon, activity was thin and only a handful of [illegible] the sluggish [illegible].

INTERNATIONAL BONDS

The day's largest deal was a FFr1.5bn issue of 10-year 7 per [illegible] for [illegible] Nationale Elf Aquitaine. According to a syndicate official at lead [illegible], the paper met [illegible] demand [illegible].

[illegible] Local [illegible] France [illegible] outstanding issue [illegible] per [illegible] bonds due December [illegible] by another Ecu100m [illegible] Ecu400m. The deal [illegible] a muted response, with some dealers arguing that [illegible] coupon compared [illegible]vourably with [illegible] Ecu paper, such as the European Bank for Reconstruction and Development's 6 per cent five-year bonds.

● Noodle giant PT Indofood Sukses Makmur, a member of the country's largest conglomerate, the Salim group, plans to go public on July 7 by floating 21m shares or 2.75 per cent of its enlarged share capital, Reuters reports.

Indofood issued $500m of exchangeable bonds due [illegible] in late March via UBS which [illegible]p coupon of 3.5 per cent in the first year, 5 per cent in the second year and 6 per cent in the third year. The bonds are convertible to Indofood shares eight months after approval by the capital market supervisory agency (Bapepam). A full conversion would represent about 18 per cent of the company's paid-up capital.

● Standard & Poor's has placed its AA- and and A-1 ratings of BAT Capital Corporation, A-1 rating on BAT International Finance and AA- rating on British-American Tobacco Investments – all guaranteed by BAT Industries – on credit-watch with negative implications. About $2.9bn of long-term debt is affected.

The [illegible] follows the [illegible] that BAT Industries plans [illegible] acquire American Tobacco for $1bn in cash.

"The proposed acquisition [illegible] BAT's exposure [illegible] extremely competitive US tobacco market which is currently facing a number of challenging issues," the agency stated.

In a related move, S&P placed [illegible] AA- claims-paying ability rating of Eagle Star Insurance Company and [illegible] AA- financial strength rating of Eagle Star Life Assurance Company on credit-watch with negative implications.

Historically, a key factor in both insurance company ratings has been the firmly-stated commitment of BAT, their ultimate parent, to financial services, and its provision of tangible support and maintenance of strong capital at the Eagle Star group, S&P noted. "Any material diminution of BAT's financial flexibility may affect its ability or willingness to continue to provide similar levels of support to the insurance group going forward," it said.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	[illegible] %	[illegible]	Maturity	[illegible] %	[illegible] bp	Book runner
YEN							
International Finance Corp.(a)	10bn	[illegible]	[illegible]	[illegible]	undisd.	-	Sanwa International
Mitsubishi Corp. Finance(b)	10bn	2.70	100.07	Aug.1995	0.25	-	Merrill Lynch International
FRENCH FRANCS							
Société Nationale Elf [illegible]	1.5bn	[illegible]	99.305R	May.2004	0.375R	+64 (5½%-04)	Société Générale
ECUS							
Crédit Local de France(c)	100	[illegible]	98.188R	Dec.1999	[illegible]	+10 (5½%-99)	Société Générale
AUSTRALIAN DOLLARS							
National Australia Bank	75	[illegible]	[illegible]	[illegible]	2.00	-	Hambros Bank

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the [illegible] manager. R: fixed re-offer price; fees are shown at the re-offer level. a) Fungible with Y40bn. Plus 2 days accrued. b) Short 1st coupon. c) Fungible with Ecu300m. Plus 86 days accrued.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.500	08/03	[illegible]	-0.250	[illegible]	[illegible]	7.17
Belgium		[illegible]	04/04	98.5100	[illegible]	7.47	7.51	[illegible]
Canada *		6.500	[illegible]	90.0500	[illegible]	[illegible]	[illegible]	[illegible]
Denmark		7.000	[illegible]	98.3200	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	6.000	[illegible]	108.2500	[illegible]	[illegible]	[illegible]	5.76
	[illegible]	5.500	04/04	91.1900	+0.740	6.74	6.96	[illegible]
Germany		6.000	[illegible]	[illegible]	[illegible]	6.51	[illegible]	[illegible]
Italy		[illegible]	[illegible]	97.3000	[illegible]	8.98†	9.06	9.38
Japan	[illegible]	[illegible]	03/99	105.9040	+0.140	[illegible]	3.45	3.45
	No [illegible]	4.500	06/03	[illegible]	[illegible]	3.86	4.02	[illegible]
Netherlands		5.750	01/04	93.9800	[illegible]	[illegible]	[illegible]	6.54
Spain		10.500	[illegible]	107.5800	[illegible]	[illegible]	9.35	[illegible]
UK Gilts		6.000	08/99	93-19	+6/32	[illegible]	[illegible]	7.20
		6.750	11/04	[illegible]	-	7.75	7.86	[illegible]
		9.000	10/08	109-13	[illegible]	7.90	8.00	7.96
US [illegible] *		5.875	[illegible]	[illegible]	+11/32	6.88	7.09	[illegible]
		6.250	08/23	[illegible]	+20/32	7.11	7.27	6.98
ECU (French Govt)		6.000	[illegible]	91.8000	[illegible]	7.18	7.37	7.03

London [illegible] *New York mid-day. Yields: Local market standard. † Gross (including withholding tax at 12.5 per cent payable by nonresidents). Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

4pm April 26

		Treasury Bills and Bond Yields			
Prime rate	6¾	One month	3.56	Two year	[illegible]
Broker loan rate	5	Two month	[illegible]	Three year	[illegible]
Fed funds	3⅝	Three month	3.96	Five year	[illegible]
[illegible] at intervention	-	Six month	4.41	10-year	[illegible]
		One year	4.89	30-year	7.12

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND [illegible] (MATIF)

	[illegible]	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	[illegible]	[illegible]	[illegible]	[illegible]	121.02	[illegible]	[illegible]
Sep	[illegible]	120.40	[illegible]	120.62	[illegible]	793	17,711
Dec	[illegible]	119.88	[illegible]	[illegible]	118.60	[illegible]	[illegible]

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

[illegible]

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

[illegible]

■ BUND FUTURES [illegible] (LIFFE) [illegible] points of [illegible]

[illegible]

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE) [illegible]

[illegible]

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	112.55	112.40	[illegible]	[illegible]	112.05	45480	79381
Sep	[illegible]	[illegible]	+0.27	[illegible]	111.80	97	1576

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts [illegible]
[illegible]	1.54	2.72	1.14	[illegible]
[illegible]	1.28	[illegible]	1.38	[illegible]
11900	1.04	2.27	1.64	3.39

Est. vol. total, Calls 5888 Puts 1358. Previous day's open int., Calls 59820 Puts 79942

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	[illegible]	Change	High	[illegible]	Est. [illegible]	[illegible]
Jun	96.14	96.00	+0.25	96.30	[illegible]	47,881	114,259
Sep	-	97.38	-	-	-	647	[illegible]

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	107-07	[illegible]	[illegible]	[illegible]	106-13	[illegible]	124319
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	15	[illegible]

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
106	1-57	2-41	1-03	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Ecu

■ ECU BOND FUTURES (MATIF)

[illegible]

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

[illegible]

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

[illegible]

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Apr 27	Day's change %	Tue Apr 26	Accrued interest	xd adj. ytd		Low coupon yield Apr 27	Apr 26	Yr. ago	Medium coupon yield Apr 27	Apr 26	Yr. ago	High coupon yield Apr 27	Apr 26	Yr. ago
1 Up [illegible] years (23)	123.10	+0.13	[illegible]	1.38	[illegible]	[illegible] yrs	7.58	7.60	7.07	7.74	7.76	7.24	7.88	7.90	7.39
2 5-15 years [illegible]	146.05	[illegible]	145.88	1.62	[illegible]	[illegible] yrs	7.77	[illegible]	[illegible]	[illegible]	7.92	8.37	8.18	8.15	8.65
3 [illegible] 15 years (9)	166.28	+0.24	[illegible]	2.29	[illegible]	[illegible] yrs	7.77	7.78	8.18	[illegible]	7.92	8.49	8.07	8.08	8.70
4 [illegible] (6)	189.57	+0.52	188.56	-0.15	6.12	Irred.†	[illegible]	[illegible]	8.65						
5 All stocks (61)	142.89	+0.15	142.68	1.84	4.46										

Index-linked: [illegible]

Debentures and Loans: [illegible]

FT FIXED INTEREST INDICES

[illegible]

GILT EDGED ACTIVITY INDICES

[illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on April 27

U.S. DOLLAR STRAIGHTS; SWISS FRANC STRAIGHTS; YEN STRAIGHTS; OTHER STRAIGHTS; DEUTSCHE MARK STRAIGHTS; FLOATING RATE NOTES; CONVERTIBLE BONDS

[illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

■ 'Tap' stock. ‡‡ Tax-free to non-residents on application. ● Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

Rights issue launched towards $450m Canteen Corporation acquisition

Compass seeks funds for US purchase

By David Blackwell

Compass Group, the catering and healthcare concern, yesterday launched a rights issue to raise almost £146m towards the cost of buying the third biggest [redacted] in the US [redacted] (£308m).

[redacted] purchase is Canteen Corporation, [redacted] in South Carolina, [redacted] for 1993 pro[redacted] an operating income of $38m on turnover of $1bn.

The balance of the payment will come from new bank facilities of $175m from NationsBank of [redacted] Carolina, and [redacted] from [redacted] Westmin[redacted].

The acquisition will leave the [redacted] with [redacted] forma negative net [redacted] of [redacted].

Mr Francis Mackay, chief [redacted], said yesterday [redacted] the acquisition [redacted] "a [redacted] opportunity to buy into the [redacted] market [redacted] a price [redacted]".

Compass [redacted] 28 per cent [redacted] pre-tax prof[redacted] the [redacted] months from [redacted] to [redacted] on turnover [redacted] per [redacted] (£209.4m).

Mr Mackay said [redacted] all [redacted] group's acquisitions [redacted] performed "extremely [redacted] and we haven't lost [redacted] single contract".

Earnings per share rose from 8.6p to 8.8p.

The interim [redacted] increased from 2.115p to 2.31p, and the group is forecasting a final of 4.5p on the enlarged capital following the rights issue.

The shares yesterday fell [redacted] further 6p to 310p following a fall of 13p on Tuesday [redacted] news of the impending US deal emerged.

Last July Compass, [redacted] has grown [redacted] £167m man[redacted] buy-out [redacted] Grand Metropolitan in [redacted] to [redacted] market capitalisation [redacted] £570m, bought [redacted] airport restaurant and contract catering business of SAS Service Partner, a subsidiary of the Scandinavian airline.

[redacted] acquisition [redacted] financed through a 6-for-19 rights issue at 420p.

The [redacted] call, also on [redacted] basis, is priced [redacted] is underwritten by Morgan Grenfell. [redacted] new ordinary shares will raise £145.9m [redacted]. The directors will [redacted] taking [redacted] their rights, amounting [redacted] 1.51m [redacted].

Canteen [redacted] being [redacted] by Flagstar, owner [redacted] taurant chains, including the Denny's [redacted] bars. Flagstar, listed [redacted] Nasdaq, incurred [redacted] in [redacted] $1.4bn goodwill write-off, [redacted] turnover of [redacted].

The group, [redacted] of debt, is 67 per cent owned by Kohlberg [redacted] Roberts, the Wall [redacted] buy-out specialist.

Mr Mackay [redacted] the [redacted] of Canteen, [redacted] more than [redacted] net [redacted], was essentially [redacted]. Its acquisition would immediately enhance earnings per share.

He [redacted] Com[redacted] would be [redacted] to [redacted] margins [redacted] year's [redacted] to [redacted], the level [redacted] in 1990 [redacted] 1991.

[redacted] had [redacted] of management, [redacted] one [redacted] notched up [redacted] of [redacted]. It had [redacted] over-dependency [redacted] and industry accounts, [redacted] needed [redacted] towards the growing, college, hospital and [redacted].

Tony Andrews

Francis Mackay (left) and Mike Bailey: one-off opportunity to buy into [redacted] price

Following [redacted] acquisition Compass [redacted] have more [redacted] 50,000 employees, double the current number.

It will retain the relatively new US management of Canteen, under the supervision of Mr Mike Bailey, who joined Compass 12 months ago as managing director of the brand management arm.

Compass and Flagstar have made a US tax election under which both parties have agreed to capitalise goodwill over 15 years. This was worth $150m to Compass, or $10m a year, and would leave it with an effective US tax charge of 12 per cent.

Mr Mackay said the high leverage incurred under the deal was appropriate as Canteen was cash generative. Interest cover, 12 times at the end of the half-year, would fall to 5.8 times but would start to recover quickly.

The City, which had thought Compass would concentrate on expansion in Europe, was surprised at the sudden switch of the group's sights to the US.

Mr Mackay said the group would continue to expand in Europe organically. "We are determined to grow a sizeable business in Europe in the next three or four years", he said, adding that the US deal was a one-off opportunity to enter "a great market place without paying a premium".

The EGM to approve the rights issue will be on May 13. Compass expects to complete the acquisition on June 17.

See Lex

GRT valued at £57m via 160p placing price

By Paul Taylor

Shares in GRT, the bus and coach operator which is coming to market through a placing with institutional investors, were priced yesterday at 160p, valuing the Aberdeen-based group at £57.2m.

A total of 13.7m shares, representing just over 38 per cent of the expanded capital, are being placed by James Capel, of which 11.25m will be placed on behalf of the company.

[redacted] management and employees [redacted] expected [redacted] about [redacted] cent of the enlarged equity.

The placing will raise £17m net of expenses for the company. Of this £10.6m will be used to repay bank borrowings, and the balance will help finance future investments and acquisitions.

GRT, which [redacted] local [redacted] and [redacted] mainly in the north-east and central belt of Scotland, as well as Leicester and Northampton, is one of the the fastest growing operators in the industry.

In the five years since its formation through a management buy-out of Grampian Regional Council's [redacted] and [redacted] undertakings, [redacted] business has grown [redacted] 242 buses in Aberdeen to [redacted] buses [redacted] in [redacted] main [redacted] in [redacted].

The prospectus, which [redacted] issued yesterday, also includes [redacted] that operating profits in the 52 [redacted] March 26 increased from £3.8m to £5m, on turnover of £39.7m (£32m).

The [redacted] figures include ini[redacted] from Northampton Transport, which was acquired in October and [redacted] CityBus, acquired in [redacted].

Data and Research Services coming to market at £39m

By Alan Cane

Data and Research Services is coming to the market by way of a placing which values the automated data capture specialist at £39.2m.

Some 13.64m ordinary shares are being placed at 110p each, representing 38 per cent of the enlarged share capital.

Some £15m is being raised before expenses. About 50 per cent of the proceeds are expected to be available to exploit possible acquisitions in the data capture industry. They will also be used to fund market research and technology development necessary for DRS to explore new areas for [redacted] capture.

[redacted] placing [redacted] sponsored by MacArthur, [redacted] company's financial adviser, and under[redacted] by Beeson Gregory, its brokers.

DRS [redacted] been [redacted] in [redacted] capture – [redacted] getting information into [redacted] computer system without [redacted] use of key[redacted].

[redacted] capture bureau, but [redacted] profitability [redacted] rapidly [redacted] 1990 when it began [redacted] make and [redacted] its own design of optical [redacted] and data [redacted].

In [redacted], it [redacted] £11.6m and [redacted] pre-tax profits [redacted] £3m. In [redacted], profits [redacted] non-recurring operating [redacted] in 22, [redacted] and [redacted] tively. At the placing price, earnings per [redacted] of 6.76p give [redacted] p/e multiple of 16.3.

The company's [redacted] market [redacted] education, where it [redacted] equipment [redacted] capture [redacted] lyse handwritten "ticks" on multiple [redacted] examination forms. It [redacted] developed [redacted] reading [redacted] to differentiate between faint [redacted] tially [redacted]. It also [redacted] logging equipment to utilities.

Dealings in the shares are expected to begin on May 5.

Interconnect purchase boosts Securicor communications side

[redacted] Paul Taylor

Securicor, the security, parcels and communications group, has further strengthened [redacted] communications division through [redacted] acquisition [redacted] Interconnect, a small supplier [redacted] telecommunications equipment.

Securicor declined to reveal the purchase price. But Mr Ed Hough, Securicor Communications's chief executive, said the [redacted] "a key move in [redacted] strategic plan [redacted] leading [redacted] in the international business [redacted] tions sector".

Interconnect, [redacted] being merged with [redacted] Securicor Telecoms subsidiary, [redacted] recognised leader in the field of [redacted] telephone systems [redacted] allow the easier integration of personal computer Local Area Networks [redacted] telephone [redacted].

Unlike proprietary systems, [redacted] systems equipment is [redacted].

Open systems telephony is expected to be one of the fastest growing telecommunica[redacted] equipment [redacted] in the [redacted].

Interconnect's 3000 Digital Hybrid [redacted] is Europe's first open system Private Automatic Branch Exchange and the acquisition will significantly strengthen Securicor Telecom's position in the emerging mar[redacted].

Fleming Indian raises £59m in placing stage

By Bethan Hutton

The Fleming [redacted] Investment Trust, the first [redacted] listed investment trust to specialise in India, has raised [redacted] £59m in [redacted] placing stage of its launch.

A further 90.8m shares at 100p each – with [redacted] attached on a 1-for-5 basis – are available through [redacted] public offer, closing on May 18.

The trust's target is to raise about £100m. However, recent [redacted] launches have tended to receive [redacted] fairly small proportion [redacted] from private [redacted].

The fund will be managed from Hong Kong by the team already responsible [redacted] the JF India unit trust, [redacted] Hong [redacted] listed [redacted] run by [redacted] Fleming, the sister company of Fleming Investment Management. Jardine Fleming also has 18 analysts in Bombay.

The UK fund will be invested via Mauritius, to take advantage of the tax treaty between Mauritius [redacted].

CFS meets forecast

Computerised Financial Solutions, the computer services company, reported pre-tax profits of [redacted] for 1993, [redacted] £37,109. The [redacted] in line with the [redacted] when it [redacted] the USM in February.

Turnover improved from £3.22m to [redacted].

Mr Alfred Stein, chairman, said that results for the first half of the present year would be restrained by development [redacted].

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for [redacted]	Total last year
Abtrust New Thai	fin	1	-	1	1	1
Bett Bros	int	1.25	June 13	0.5	-	2
[redacted]	fin	5.175†	July 25	[redacted]	[redacted]	[redacted]
Compass	int	2.31†	July 27	2.115*	-	6.365*
DFS Furniture	int	2.3	June 20	-	-	-
El Oro Mining	fin	[redacted]	Oct 31	24	20	24
[redacted] Co	fin	10	Oct 31	12	10	12
Govett Strategic	int	[redacted]	June 23	2.65	-	[redacted]
Jerome (S)	fin	[redacted]	[redacted]	nil	[redacted]	nil
Murray Split Cap	int	[redacted]	July 1	2.65	-	[redacted]
Rossmont	int	0.2	June 16	-	-	-
Sage	int	3.65	June 24	3.32	-	9.92
Scottish Nat	int	1.55‡	July 7	[redacted]	-	7.75
S&U	fin	[redacted]	July 1	[redacted]	11.5	10
[redacted]	fin	2.5	June 16	2.025	3.5	[redacted]
Trinity Hldgs	fin	[redacted]	July 29	1.5	6.2	1.5

Dividends shown pence per share net except where otherwise stated. †On increased capital. *Equivalent after allowing for scrip issue. ♥Second interim: makes 5.3p to date. ‡Second interim: makes 3.1p to date.

Leeds Permanent up 37% as bad debts fall

By Alison Smith

Leeds Permanent Building Society yesterday reported pre-tax profits [redacted] £123.7m [redacted] the six months to March 31, up 37 per cent from the [redacted] £90.2m.

Provisions for [redacted] and doubtful debts [redacted] Leeds, the [redacted] *fifth largest society*, dropped from [redacted] to £51.9m.

Adding further, separate, charges for irrecoverable interest [redacted] on mortgage accounts in [redacted] and repossessions, the total charge for loss provisions came to £62.4m (£101.7m).

The September year-end at Leeds is different from almost all other building societies.

This means that its full-year results, announced in November, did not reflect the fall in provisions which have already helped its competitors to report sharply increased profits for 1993.

[redacted] full-year results for 1992-93 included *a 22 per cent* rise in pre-tax profits to £186.2m, but provisions rose from £105.2m to £131.1m.

Yesterday's announcement included increased net interest receivable of £231.3m (£225.3m).In [redacted] last full-year interest [redacted] rose from £342.1m to [redacted]

Administrative expenses in the first half rose to £108.8m (£103.5m), much of [redacted] being attributable [redacted] investment in [redacted] life [redacted] which is due [redacted] operational in [redacted] summer.

The society, [redacted] talks with [redacted] Provincial fell through last [redacted] *is still looking* [redacted] utive.

Mr Roger Boyes, finance director, said that in terms of the day-to-day management of the society the lack of a chief executive was a "non-issue", but he admitted [redacted] absence of [redacted] time [redacted] not a healthy position.

City sets sights on a less exciting future

Andrew Baxter examines the three-year plan which will give Babcock a new look

Nick Salmon had a special reason to feel relieved [redacted] Babcock [redacted] announced a three-year plan which will give a new look to the engineering contracting and materials handling group.

Mr Salmon, Babcock's managing director, had spent the last few days before Thursday's announcement on a punishing schedule of 37 meetings with institutions. Enthusiastic though he is for the plan, he was clearly looking forward to running through the presentation for the last time.

Winning the City's approval is crucial, however, for a plan which hinges on a larger than expected £78.6m rights issue, and a restructuring of the company's energy division that – along with the division's losses – will produce an estimated group pre-tax loss of £41.2m in the year ended March 31.

Mr Salmon and Mr John Parker, chief executive, joined Babcock on October 4 and have been preparing the new strategy since then. They knew the City was looking for a sign that the *financial shocks* and management upheaval of the past year would not be repeated.

Also, they knew that the City believed Babcock did not have enough capital to cope with the risks involved in sizeable contracts such as its *£400m-plus flue gas desulphurisation* contract at National Power's Drax power station in North Yorkshire.

Analysts worried that, in an era where "performance [redacted] on [redacted] are the [redacted] and advanced payments are not, Babcock was too exposed [redacted] risk.

A [redacted] rights issue [redacted] the new team was fully installed, *but it is now* clear that Mr Parker and Mr Salmon shared the City's worries. [redacted] only are they moving Babcock away from the kind of large contracts which could individually break the company, but they are also providing a platform for growth in the businesses that hitherto have been overshadowed by Drax and other mishaps.

Winning the City's approval is crucial for a plan which hinges on a larger than expected £78.6m rights issue and a restructuring of the energy division

The vision of a less exciting future for Babcock, building *bulk handling installations*, hydrochloric acid plants and sticking to medium-sized power plant contracts up to about £150m – unless it is sharing the risk with others – seems to be what the City is looking for.

"They have made it quite *clear they will not be bidding* for £450m contracts à la Drax," says Mr Jonathan Getz of Robert Fleming Securities. On top of that, he says, pro forma shareholders' funds of £125m after the rights issue does give Babcock sufficient capital to go forward with its new strategy.

Mr Parker and Mr Salmon have clearly left no stone unturned in the past six months. "It's been pretty hectic, that's for sure, for us and for the divisions" says Mr Parker.

With the help of the LEK Partnership, management consultants, [redacted] divisions were benchmarked against competitors and market prospects studied. Divisional management has been strengthened, and all contracts and claims risks that might undermine the recovery of future profits have been assessed.

"We've said to managers, '*Don't surprise us*,' says Mr Parker. "If there is a problem, get it out in the open."

Now, with the problem-strewn energy division to be restructured and overall risks reduced, the question is how much money Babcock *can make from its new* strategy.

The remaining four divisions are profitable and cash generative, and Mr Erik Porter, finance director, points out that materials *handling*, process, facilities management and Africa have consistently produced a "hard core" of *£20m-£30m a year in pre-tax* profits. But growth prospects in these divisions look to be more solid than spectacular.

According to the estimated results for fiscal 1994 the biggest profits contribution – up from £6.8m to £10.6m – came from the facilities management division, which is based around the Rosyth Royal Dockyard in Scotland.

Babcock Thorn's contract for the management of the dockyard expires in April 1996 at the latest, and Babcock is talking to Thorn EMI about acquiring its 35 per cent stake in the joint company to maximise its options in pursuing the privatisation of Rosyth.

Babcock says the division is well placed for either a contract extension or a purchase of the yards. But given the uncertainty over how the Royal Dockyards will be privatised, the group is probably wisely putting most emphasis on developing its materials *handling* and process divisions.

Profits in materials handling fell to £7.4m (£12.1m) in fiscal 1994, due to reorganisation costs and lower than expected orders in the first half.

But worldwide reorganisation, along with recent acquisitions, has transformed 16 national product-based companies into 10 broadly-based regional companies and orders have picked up strongly, reaching a record £153m for the year.

Babcock wants to expand the division significantly, both organically and through complementary acquisitions, to complete the transition to a multinational supplier of material handling systems for cement, energy, steel, pulp and paper and marine terminal markets.

In the process division, a leading supplier of process plant to the oil, gas and petrochemical industries, profits jumped from £2.8m to £4.4m last year, and the year-end order books jumped *from £75m* to more than £120m.

Babcock now wants to build on the success achieved by the 1992 *acquisition of* King Wilkinson through developing its strong relationships with customers in the Middle East and Asia, continuing to develop new product areas such as pharmaceuticals and fine chemicals, and making modest acquisitions or joint ventures to expand the technology base.

Mr Getz believes that, if Babcock can fulfil the potential of its three-year plan, turnover in fiscal 1997 could reach £950m, compared with £748m in fiscal 1993. Pre-tax profits could be "something north of £45m" by fiscal 1997, he says.

That compares with profits of £21.3m in fiscal 1993, which included a £13m provision for reorganisation. But, he says, there must be no more "funnies" – provisions and other financial shocks. "We just want turnover and profits before tax – let's keep it simple."

Sainsbury converts three stores to test format for town centres

By Neil Buckley

J Sainsbury, [redacted] *UK's largest* grocery retailer, is launching a new town-centre format called Sainsbury's Central, designed to provide for the convenience and "top-up" shopping market.

The [redacted] Metro format launched by Tesco, Sainsbury's [redacted] rival, [redacted] in [redacted] locations.

Sainsbury is converting [redacted] existing town-centre [redacted] in Chelmsford, Exeter and Epsom [redacted] the new format, [redacted] if [redacted] are successful will [redacted] converting others. The company said it would decide later this *year whether to build* new outlets in the format.

"Although firmly retaining Sainsbury's [redacted] quality, [redacted] for [redacted] new-style shop will provide [redacted] more geared to the needs of town-centre shoppers," the company said.

The stores would serve three needs:

- "Pop-in" shopping, for items such as newspapers, confectionery and snacks.
- "Top-up" shopping, for customers making last-minute or forgotten purchases.
- *Main shopping trips.*

The shops will be refitted, and the product [redacted] slimmed down [redacted] needs, [redacted] as [redacted] for [redacted] delicatessen, [redacted] hot foods [redacted]

The [redacted] – which, [redacted] *just* [redacted] 12,000 [redacted] ft, [redacted] half [redacted] size [redacted] an out-of-town super[redacted] – will reopen [redacted] 14. [redacted] will [redacted] in mid-July and Epsom in early August.

Conversion time to the new format will be about four weeks, *but Sainsbury* refused to reveal the expected cost.

Since the early 1980s Sainsbury, like Tesco, has been closing smaller town-centre stores and opening new out-of-town superstores. But it said yesterday more than 100 of its 340 stores were still small high-*street outlets*.

The big grocery retailers have been forced to rethink their expansion programmes by increasing market saturation, tougher planning restrictions on out-of-town stores, and competition from discount stores.

Tesco opened its first Metro in London's Covent Garden last year, and followed it with stores in Hammersmith, Oxford Street, [redacted] Liverpool.

Rossmont drops by 20% at halftime

Rossmont, which came to the market in December, reported pre-tax profits down 20 per cent to £60,000 in the half year to December 31, against £75,000 last time.

Rossmont is [redacted] holding company for Santric, which supplies washroom [redacted] hygiene equipment. Mr [redacted] Burns, chairman, [redacted] enjoying [redacted] good year, though volume comparisons with [redacted] previous 12 months were affected by a large project to equip [redacted] new [redacted] Twickenham rugby stadium in the summer of 1992.

Earnings per share came [redacted] 0.4p (0.52p) and an interim dividend of 0.2p is declared.

Turnover dropped from £1.1m to £892,000, but Mr Burns said the value of order intake was showing the predicted second half improvement, following the normal pattern.

PUBLIC WORKS LOAN BOARD RATES
Effective April 26

	Quota loans*					
	"Lower" quota rates			"Higher" quota rates		
Years	EP†	A††	maturity§	EP†	A††	maturity§
1	–	–	6¾	–	–	[redacted]
Over 1 up to [redacted]	[redacted]	5¾	[redacted]	5¾	5⅝	6¼
Over [redacted] up to [redacted]	[redacted]	6⅝	7⅜	[redacted]	6½	7⅛
Over 3 up to [redacted]	6⅝	[redacted]	7⅜	7	7	[redacted]
Over [redacted] up to [redacted]	[redacted]	7¼	[redacted]	7¼	7⅜	[redacted]
Over 5 up to [redacted]	7½	7½	8⅛	7⅜	[redacted]	[redacted]
Over 6 up to 7	[redacted]	[redacted]	[redacted]	7¾	7⅞	[redacted]
Over [redacted] up to 8	[redacted]	[redacted]	8¼	[redacted]	8	[redacted]
Over 8 up to [redacted]	7⅞	[redacted]	[redacted]	[redacted]	8⅛	[redacted]
Over [redacted] up to [redacted]	8	[redacted]	[redacted]	8⅛	8¼	[redacted]
Over 10 up to 15	[redacted]	[redacted]	[redacted]	8⅛	[redacted]	[redacted]
Over 15 up to 25	[redacted]	8¼	8⅛	[redacted]	8⅝	[redacted]
Over 25	8⅛	8⅛	8⅛	[redacted]	[redacted]	[redacted]

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. ††Repayment by half-yearly [redacted] equal half-yearly payments to include principal and interest. § With half-yearly paym[redacted] only.

IN BRIEF

RATHBONE BROTHERS entered [redacted] acquire Allside [redacted] Management Company [redacted] in [redacted]

REGENT CORPORATION, [redacted]rey-based property developer, has bought Jaygrange Proper*ties for £98,000 in shares*.

RICHARDSONS WESTGARTH rights issue has been accepted in respect of 91.11 per cent of the issue.

ROYAL BANK OF Scotland has conditionally agreed the sale of its 64 per cent holding in Associated Merchant Bank, a Singapore leasing and hire purchase business. The acquiring company is owned jointly by General Electric Capital Services (USA) and a Jardine Pacific company.

SERCO is to acquire THA, a Canadian [redacted] £1.25m, of which [redacted] is payable on completion. The vendors are James F Hickling management consultants of Ottawa and US aviation con*sultancy Jerry Thompson &* Associates.

STIRLING GROUP is withdrawing from its import business, E Gifford. Featuretalent, an associate of Danielle Group, a Manchester-based clothing importer, has acquired for a small cash sum, the benefit of *certain contracts entered into* by Gifford, together with the use of Gifford name and trademarks.

Sage up 32p to 600p after US improvement

By Alan Cane

[redacted] in Sage Group yesterday gained 32p [redacted] close *at 600p after the Newcastle*-based accounting software company reported interim figures indicating that problems at two US subsidiaries had been overcome.

The shares are now within 3 per cent of their peak of 619p a year ago; they have been recovering from a sharp fall in July which followed a profits warning relating to the US companies.

Profits before tax in the half year to March 31 rose 28 per cent to £6.86m (£5.38m), on turnover ahead 21 per cent to £25.4m (£21m).

Sage supplies packaged accounting software, chiefly aimed at small and medium-sized companies, and sold *through a network of resellers*.

Mr David Goldman, chairman, said that software sales in the UK, which advanced 26 per cent, had been helped by a new emphasis on making it attractive for resellers to add value to the company's products.

This had been helped by the close relationship with Microsoft, the world's largest software supplier.

All subsidiaries were now trading profitably. DacEasy, *the principal US offshoot*, made an operating profit of £1.3m on sales of £6.9m, an improvement of 32 per cent, in a highly competitive environment.

TeleMagic, formerly Remote Control International, turned a first half loss last year of *£370,000 into a £47,000 profit* on sales of £1.5m.

The latest acquisitions, Ciel in France and Dataform in the UK, continued to make satisfactory profits.

Sage has launched a low cost accounting system for the domestic market and intends to launch products in all its business areas which exploit the success of Windows, Microsoft's market-leading operating *system*.

The company has net cash of £9m, up from £4.2m at September 30. Mr Goldman said expansion would continue to be sought through acquisition.

The interim dividend goes up to 3.65p (3.32p), payable from earnings per share of 22.25p (17.68p).

Brixton Estate net asset value rise below estimates

By Simon Davies

Brixton [redacted] *yesterday* announced [redacted] 7 [redacted] pre-tax profits from [redacted]

[redacted] UK's seventh largest property company [redacted] revealed [redacted] the [redacted] £100m proceeds [redacted] May rights [redacted] in UK properties, [redacted] *is planning to invest* a further £50m to £60m in the current year.

Net asset value per share [redacted] 14 per cent to 192p (168p), which was below analysts' expectations, and [redacted] shares fell 6p to 224p.

The value of Brixton's portfolio, excluding last year's acquisitions, increased by only 6.5 per cent (7.4 per cent, [redacted]ding the impact of currency). *This reflected the weak perfor*mance of the 17 per cent of its portfolio outside the UK.

Mr Terence Nagle, managing director, said demand for space in the UK had increased over the past few months. Brixton achieved new lettings and relettings of 800,000 sq ft last year, leaving a vacancy rate of 7.4 per cent.

Net rental income rose 9 per cent to £60.2m, while interest on *developed properties* increased 3 per cent to £27.2m. There was a further £7.4m of interest charged to the cost of ongoing *property* developments, equal to the rental value of its unlet property.

The effect of recovering property values together with the *cash from the rights issue*, helped reduce gearing from 114 per cent to 72 per cent.

Last year, the company invested £75m of the rights issue proceeds in new properties, and it has invested a further £25m since the year end. These properties are yielding 11 per cent, significantly above the cost of long-term money.

A proposed final dividend of 5.175p makes a total of 8p for *the year*. Earnings per share, adjusted for the rights, fell 6 per cent to 11.66p.

● COMMENT

Brixton achieved consistent profits growth through the downturn in the property market, but is looking unexciting in the upswing. For a company with few development projects, £7.4m capitalised interest is high, and its further reduction will hurt *future earnings*. Analysts expect net asset value per share to rise to 225p at the end of 1994, and the company is likely to achieve pre-tax profits of £34m, given few rental reversions this year. With no premium to year-end net asset value and little earnings *growth to come, the shares* look pricey.

Acquisition for Northumbrian Foods

Northumbrian [redacted] Foods, the USM-quoted [redacted] manufacturer, is taking a further step in its expansion plan with the acquisition of Jesse Oldfield, a Manchester-based cake manufacturer, for a *maximum £2.56m*.

An initial £1.26m will be paid via 11.68m ordinary shares, of which 6.68m have been conditionally placed on behalf of the vendors at 10p each, subject to a 1-for-7.146 clawback under an open offer to shareholders.

In addition, 2m shares have been conditionally placed to raise about £200,000 for *the company, which will meet the* expenses of the acquisition, the placing and the open offer.

[redacted] will [redacted] able to acquire these on a 1-for-23.632 basis.

A further consideration may be payable, of up to £1.3m, in unsecured loan notes and is dependent on Oldfield's results for the year to December 31 1994.

The vendors have undertaken not to dispose of the retained 5m shares until 12 months after completion of the acquisition.

[redacted] was acquired by [redacted] present management in [redacted] buy-out [redacted] Mount Charlotte Investments. It makes slab cake and Christmas cakes with about 60 per cent of sales effected through multiple *retailers, including Iceland, Wm Morrison*, Asda and Kwik Save.

[redacted] pre-tax profits [redacted] after a [redacted] debt provision, on turnover of £8.4m, against £8.74m.

Mr Henry Roberts, chief executive, said that although operating in a difficult and competitive market, NFF was maintaining *its sales at acceptable margins*.

He said that the acquisition of Oldfield would prove a "big enhancement" to full-year profits. He expected group sales for 1994-95 to be in the £24m to £25m range.

Mr Roberts said that Oldfield had strong lines for Christmas and new year, a season in which NFF sales have traditionally been weak.

The acquisition provides opportunities for the enlarged group to increase sales to a broad range of leading food retailing customers.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Half hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0030	11.00	10.62	10.62
0100	11.00	10.51	10.51
0130	11.05	10.60	10.60
0200	11.15	16.61	16.61
0230	11.15	14.14	17.68
0300	[illegible]	[illegible]	[illegible]
0330	[illegible]	[illegible]	[illegible]
0400	[illegible]	[illegible]	[illegible]
0430	[illegible]	[illegible]	[illegible]
0500	[illegible]	[illegible]	[illegible]
0530	[illegible]	[illegible]	[illegible]
0600	[illegible]	[illegible]	[illegible]
0630	[illegible]	[illegible]	[illegible]
0700	[illegible]	[illegible]	[illegible]
0730	[illegible]	[illegible]	[illegible]
0800	[illegible]	[illegible]	[illegible]
0830	[illegible]	[illegible]	[illegible]
0900	[illegible]	[illegible]	[illegible]
0930	[illegible]	[illegible]	[illegible]
1000	[illegible]	[illegible]	[illegible]
1030	[illegible]	[illegible]	[illegible]
1100	[illegible]	[illegible]	[illegible]
1130	[illegible]	[illegible]	[illegible]
1200	[illegible]	[illegible]	[illegible]
1230	[illegible]	[illegible]	[illegible]
1300	[illegible]	[illegible]	[illegible]
1330	[illegible]	[illegible]	[illegible]
1400	[illegible]	[illegible]	[illegible]
1430	[illegible]	[illegible]	[illegible]
1500	[illegible]	[illegible]	[illegible]
1530	[illegible]	[illegible]	[illegible]
1600	[illegible]	[illegible]	[illegible]
1630	[illegible]	[illegible]	[illegible]
1700	[illegible]	[illegible]	[illegible]
1730	[illegible]	[illegible]	[illegible]
1800	[illegible]	[illegible]	[illegible]
1830	[illegible]	[illegible]	[illegible]
1900	[illegible]	[illegible]	[illegible]
1930	[illegible]	[illegible]	[illegible]
2000	[illegible]	[illegible]	[illegible]
2030	[illegible]	[illegible]	[illegible]
2100	[illegible]	[illegible]	[illegible]
2130	[illegible]	[illegible]	[illegible]
2200	[illegible]	[illegible]	[illegible]
2230	[illegible]	[illegible]	[illegible]
2300	[illegible]	[illegible]	[illegible]
2330	[illegible]	[illegible]	[illegible]
2400	[illegible]	[illegible]	[illegible]

UK markets for core business of buses and refuse vehicles shows further expansion

Trinity Holdings up 50% to £10.6m

[illegible] Paul Taylor

Trinity Holdings, the UK's leading specialist [illegible] manufacturer, yesterday reported [illegible] 50 per [illegible] increase in pre-tax *profits in its first full* [illegible] a publicly quoted company.

Pre-tax profits [illegible] the [illegible] in the [illegible] *months* [illegible] *January 31,* [illegible] last time. Turnover increased by 24 per [illegible] to £136m [illegible] with [illegible] sub-[illegible] *reporting growth* [illegible] sales, particularly exports, [illegible] overall [illegible] 70 per [illegible] to £59m.

Earnings per [illegible] by 29 per [illegible] (10.7p) and [illegible] 4.2p final dividend [illegible] ommended, [illegible] 6.2p (1.5p) [illegible] the year. The shares [illegible] 18p higher [illegible] 308p.

Commenting on [illegible] results, Mr [illegible] Hollyhead, chairman, said, "The UK markets for [illegible] business [illegible] and [illegible] showed growth [illegible] second consecutive year." But although group [illegible] output [illegible] from [illegible] 3,439 units, the year-end order book level [illegible] still ahead [illegible] the previous [illegible].

[illegible] trading [illegible] margins [illegible] broadly in line with [illegible] previous year, but [illegible] growth lifted operating profits *to* [illegible] *(£8.5m).*

Dennis Specialist Vehicles, the market leader in both the [illegible] and fire markets, and [illegible] *nis Eagle,* which [illegible] chassis, both [illegible] in [illegible] the [illegible] market [illegible] and new product *launches.* [illegible] cury Vehicles' markets [illegible] beginning to improve. Mr [illegible] lyhead [illegible] trading in [illegible] first quarter [illegible] year [illegible] "substantially ahead".

COMMENT

[illegible] sharp dividend [illegible] yesterday underlines [illegible] Trinity's management [illegible] in [illegible] group's future performance. [illegible] from the general [illegible] as [illegible] as [illegible] cial [illegible] such [illegible] the [illegible] tendering for [illegible] pro-gressive bus replacement policies of private sector operators. Overseas, meanwhile, the group's [illegible] bus [illegible] facturing joint venture is going [illegible] despite [illegible] problems [illegible] provide [illegible] important entry into the fast-growing [illegible] of [illegible] possible [illegible] producing earnings [illegible] 16.3p. [illegible] trading on a well [illegible] prospective p/e of [illegible]

Geoff Hollyhead: order book level still ahead

DFS 'bang on target' with jump to £9.99m

By Maggie Urry

[illegible] Furniture, [illegible] specialist upholstery retailer, yesterday reported [illegible] pre-[illegible] profits [illegible] per [illegible] higher [illegible] a [illegible] "bang [illegible] target" according [illegible] Mr Gra-[illegible] Kirkham, chairman.

[illegible] group floated last [illegible] at [illegible] the shares [illegible] yesterday [illegible] 1p.

Mr [illegible] that with the third quarter almost complete [illegible] eight week lead times in the *business into* account, [illegible] predicting "a [illegible] outcome to [illegible] year".

During the half year to Jan-[illegible] 31, [illegible] per [illegible] with the 23 comparable upholstery [illegible] producing [illegible] gains of [illegible] per cent, *reflecting* [illegible] volumes and no price [illegible] Two [illegible] opened in the [illegible] year; [illegible] dining [illegible] shops.

Operating profits rose [illegible] per [illegible] to £11m (£9.55m), with margins down from [illegible] per [illegible] However, Mr Chris Ferris, finance director, said margins had been distorted by [illegible] *promotional* spending and [illegible] and compared to 16.3 per cent for the [illegible] At [illegible] of *the float DFS said operating* margins for [illegible] current [illegible] would [illegible] similar to last year's.

[illegible] profits [illegible] affected *by non-recurring items,* [illegible] float in the [illegible] period [illegible] the £4.14m package paid to Mr Kirkham prior [illegible] *float* in the comparable figures, which was partially [illegible] by [illegible] £840,000 property profit.

Interest receivable was £482,000 [illegible] Mr Ferris [illegible] at [illegible] half year end [illegible] £16.5m, which [illegible] the group the flexibility *to take* up opportunities. The group recently paid £2m for [illegible] freehold site for a store in Birmingham. Capital *spending for the* year [illegible] at [illegible] (£4.1m).

Excluding [illegible] non-recurring items, earnings per share rose 11.2 per cent to 7.44p. The interim dividend [illegible] (notional 2.1p) and Mr Kirkham [illegible] the aim [illegible] for [illegible] real growth. The notional full year dividend [illegible] year [illegible] 6.4p.

Bett Brothers shows all-round growth

By Graham Deller

Growth [illegible] range [illegible] helped Bett Brothers [illegible] substantial increase in profits before [illegible] in the [illegible] months to February 28.

On turnover ahead 39 per [illegible] *(£9.17m) the* profit line [illegible] this Dundee-[illegible] housebuilding and property group jumped from [illegible] to £3.1m.

[illegible] pleted 84 units, [illegible] from 66 last time.

The company expects to sell [illegible] in the full [illegible] *despite* [illegible] remaining "challenging".

[illegible] property [illegible] opment [illegible] to operating profit [illegible] Inns, [illegible] operation, [illegible] results "[illegible] circumstances where the [illegible] both nationally and locally is *down".*

[illegible] charges dipped [illegible] £371,000 (£406,000). Gearing at end-February was 42 per cent, down from 52 per cent at the company's August year-end.

Earnings per [illegible] leapt to [illegible] (3.67p). The interim dividend is raised from 0.5p to [illegible] anticipation of [illegible] *factory result for the full year".*

S Jerome helped by textiles turnround

A turnround [illegible] continuing [illegible] business helped S Jerome [illegible] Sons (Holdings) report sharply lower pre-tax losses of £404,000 for [illegible] compared [illegible] previously.

[illegible] spinner [illegible] weaver suffered [illegible] £750,000 charge related to the resolution of the dispute over the sale of its electronics subsidiary.

Mr Alan Jerome, chairman, said that for [illegible] continuing [illegible] operating profit [illegible] risen from [illegible] to £704,000 [illegible] paid *had fallen to £358,000 (£468,000).*

[illegible] continuing [illegible] pre-tax [illegible] into [illegible] profit. Sales rose 18 per cent to £25.8m (£21.4m).

A final dividend of 0.3p makes a total of 0.5p (nil) for [illegible] year. Losses [illegible] through [illegible] 4.7p (21p).

A £750,000 capital expenditure programme [illegible] planned [illegible] to [illegible] spread [illegible] all [illegible]

Mr [illegible] the higher levels [illegible] activity seen in 1993 had continued in the first quarter of the current year. He was *cautiously optimistic* [illegible] improvements in performance would be achieved this year.

Losses increase to £1.1m at Haemocell

[illegible] Haemocell, [illegible] USM-traded medical equipment maker, [illegible] from [illegible] in the [illegible] months [illegible] February 28.

Mr Andrew Priestley, chairman, said that as anticipated, [illegible] initiative to re-establish direct control of sales and marketing arrangements [illegible] 850 [illegible] sub-stantial impact on [illegible] out-[illegible]

This [illegible] period [illegible] enforced sales inactivity as the *process of selection,* appointment and training of new distributors continued.

[illegible] dropped to [illegible] against [illegible] previously, reflecting [illegible] company's inability [illegible] initiatives until [illegible] the period.

[illegible] and repackaging, together [illegible] with [illegible] *re-establishment* [illegible] network kept [illegible] high. This [illegible] despite some temporary reduction in manufacturing capacity [illegible] by [illegible] lev-[illegible]

[illegible] share deepened [illegible] 4.3p to 5.1p.

Colorvision shares fall sharply on warning

[illegible] in Colorvision, [illegible] Liverpool-based [illegible] and video [illegible], fell [illegible] yesterday, as [illegible] *forecast a drop in year-end pre-tax prof*its from £1.78m [illegible] about £200,000.

An improving sales trend, which had [illegible] *during* the third quarter [illegible] the year to [illegible] 31, did [illegible] beyond January, they *explained.* [illegible] last *two* [illegible] period "fell [illegible] expectations".

The directors [illegible] that "it would not [illegible] appropriate [illegible] *final dividend".*

NEWS DIGEST

S&U grows 24% to £5.6m

[illegible], the consumer credit group, yesterday [illegible] organic growth [illegible] behind a [illegible] in annual profits.

Mr Derek Coombs, chairman, said the 24 per cent improvement [illegible] the pre-tax [illegible] – from [illegible] – [illegible] "very encouraging" and achieved [illegible] acquisit-[illegible]

[illegible] at [illegible] Birmingham-based group firmed [illegible] (£53m). Earnings per share emerged [illegible] up from 27.4p, and [illegible] *mended final dividend* goes up [illegible] 8.9p, bringing the total distribution for the year to 11.5p, up 15 per cent.

[illegible] also *proposed* [illegible] 1-for-10 scrip issue.

Kleinwort Benson 'very active'

Shares of Kleinwort Benson, the investment banking and *management* business concern, rose 38p to 483p yesterday as Lord Rockley, chairman, told the annual meeting that all parts of the group had been "very active so far in the current year".

He added that new mandates had been won in *many* areas of the company's core businesses and that the overall performance for the first quarter was in line with the same period last year.

Murray Split net asset value up 13%

Murray Split Capital Trust reported a net asset value of 243.8p per capital share as at February 28, an increase of 13 per cent on the figure of 214.9p at the trust's August year-end.

Including the zero dividend preference shares and income shares, total net assets rose 8.3 per cent to £26.1m.

The trust, part of the Murray Johnstone stable in Glasgow, lifted available revenue for the [illegible] end-February from [illegible] to £369,000, equivalent to earnings of 4.61p (4.23p) per income share.

[illegible] quarterly *dividend* is held [illegible] 2.65p, making an unchanged 5.3p to date. The directors intend to maintain the total for the year [illegible] 10.6p.

Scottish National asset value down

The Scottish National Trust had a net asset value per capital share of 81.2p at March 31 1994 compared with 94.9p six months earlier.

Net [illegible] for the [illegible] months fell from £6.6m to £6m. Earnings per income [illegible] were 3.09p (3.48p) and [illegible] second quarterly dividend of 1.55p maintains the total for the six months at 3.1p.

Govett Strategic net assets at 310p

Govett Strategic Investment Trust, which aims for capital and income growth through a portfolio of small and medium-sized UK companies, reported a net asset value, taking prior charges at par, of 310.3p as at March 31.

The figure compared with values of *298.07p* at September 30 and *270.7p* at end-March 1993.

Available revenue for the six *month period* was virtually unchanged at £3.52m, for earnings of 3.59p (3.58p) per share. The interim dividend is maintained at 2.65p.

Spinning recovery helps Shiloh to £1m

The expansion of its healthcare activities, together with a recovery in *spinning in the sec*ond half, resulted in a 49 per cent profits rise at Shiloh in the year to March 26.

On sales up *10 per cent from* £25.6m to £28.2m the pre-tax figure jumped to £1.13m (£756,560).

The final *dividend* is *raised* to 2.5p (2.025p) making a total of 3.5p (2.9p) on earnings per share of 15.15p (7.96p).

Coffee retreats after Brazilian sales agreed

By Deborah Hargreaves

New York coffee prices are expected to slip back today when trading re-opens after yesterday's day of mourning for ex-President Nixon following a sharp a tonne drop in the London market.

Trading was light at the London Commodity Exchange, where July robusta coffee futures fell $13 to $1,476 a tonne. Traders [illegible] the market was taking a breather after the [illegible] run-up in price.

But the New York market could show a reaction to Tuesday's agreement in Brazil on plans for the sale of 2.4m bags (60kg each) from the government's stockpile this year in spite of strong opposition to it.

The Brazilian government has agreed to auction 150,000 bags to the soluble industry in May and June along with 300,000 [illegible] to the roasters. The rest will be staggered over the following months although the government says the sale will be dictated by necessity.

Traders believe that, although the Brazilian [illegible] auction is directed at the domestic market, it is bound to have a knock-on effect on international trade by freeing more supplies for export. "It does slightly change the fundamentals of the market and in my view, reduces its potential," one trader said.

Mr Lawrence Eagles, commodity analyst at GNI, said that the Association of Coffee Producers, which is sticking to the export retention scheme, was worried that Brazil's stock sales would delay the return of resonable market prices to the industry. "Indeed, the repercussions could even trigger a price collapse if the aftermath forces the ACPC [illegible] disband," he warned in GNI's latest futures and options briefing.

Coffee producers are expected to halt retention of arabica coffee for export after the daily indicator price reached 80 cents a pound yesterday. On Monday the indicator for robusta [illegible] broke through 70 cents a pound, which is the level that should trigger stock releases. Retention plan officials will meet in London next month to discuss any sales.

Rice futures contract set to join Chicago's big boys

By Laurie Morse in Chicago

The world's only rice futures contract is about to come of [illegible]

The Chicago Board [illegible] Trade, which trades futures and options on maize, wheat, soyabeans and [illegible] agricultural and financial commodities, plans [illegible] adopt [illegible] own the rough [illegible] traded on its tiny subsidiary, [illegible] MidAmerica Commodity Exchange.

The CBoT wants to shift the contract, which trades in units of 200,000 pounds of No. 2 or better long grain, rough rice, deliverable in 12 counties in eastern Arkansas, under its own banner because of a recent surge in world rice trading.

Production shortfalls in 1992 and [illegible] have resulted in Japan purchasing significant amounts of rice on the world market for the first time since [illegible]

"The CBoT believes the rice contract is destined to grow as more and more countries open up their markets to free trade. The CBoT can provide greater visibility and a broad range of opportunities for the rice contract," said Mr. Patrick Arbor, CBoT chairman.

[illegible] futures were launched in [illegible] at the now-defunct New Orleans Commodity Exchange. After three years of listless trading, the contract shifted to Chicago, and came under the jurisdiction of the MidAmerica Exchange. Still lightly traded, 7,621 rice futures contracts changed hands at the MidAm during March.

US rice production has averaged about 8m tonnes a year since 1990, with long grain rice representing about 70 per cent of that total. According to CBoT statistics, about 50 per cent of US long grain rice is grown in Arkansas, the deliverable area for the futures contract.

Although the US accounts for only 1 to 2 per cent of world rice production, it exports about 40 per cent of its crop, making it the second leading rice exporter in the world after Thailand. In 1993 the US exported 2.7m tonnes of rice out of total world exports [illegible] 16m tonnes.

Cocoa losing its appeal for Malaysian growers

Producers [illegible] grubbing up trees as hopes of higher prices fade, writes Kieran Cooke

Not so long ago cocoa was referred to as "green gold" by planters in Sabah, East Malaysia. In 1990 production of cocoa beans in Sabah rose to 145,000 tonnes out of a total Malaysian production of just under 250,000 [illegible]

But now increasing numbers of planters, despairing of a sustained rally in world cocoa prices, are grubbing up their cocoa trees. Cocoa production [illegible] fell 9 [illegible] cent [illegible] 122,000 tonnes last year while total Malaysian production fell 10 per cent to 200,000 tonnes.

"There was an upswing in prices at the end of last year" says Mr Hashim Abdul Wahab, head of the Malaysian Cocoa Board. "But it wasn't enough to make people stay in cocoa. Once again we are seeing a reduction in areas planted with cocoa. In 1990 420,000 hectares of land countrywide was given over to cocoa. Last year it had come [illegible] ares."

In [illegible] the structure [illegible] Malaysia's [illegible] been transformed. In [illegible] and mining [illegible] up 55 per cent [illegible] export [illegible] By [illegible] goods [illegible] of the total [illegible] exports.

Increasing numbers of people have left the land for the facto[illegible] Malaysia's GDP has grown by more than 8 per cent [illegible] each of the last six [illegible] Wages have been rising: there are serious labour short[illegible] in many country [illegible] international prices of [illegible] Malaysian commodities [illegible] continued to fall.

[illegible] of [illegible] tin miners have given up the struggle for survival. Rubber producers are turning increasingly to the more profitable palm oil. Cocoa growers are following suit.

"It's very tough – especially [illegible] in primary [illegible] production," [illegible] Mr [illegible] "What we [illegible] trying [illegible] now [illegible] into [illegible] downstream [illegible] more of the cocoa crop ourselves. We also need to search out new markets like China."

The Ivory [illegible] have for some time [illegible] producers, but the big change in pro[illegible] patterns in [illegible] last three years has been a surge in Indonesian cocoa output. Most [illegible] put [illegible] production [illegible] more than 260,000 tonnes last year.

Indonesia has plentiful [illegible] plies [illegible] cheap labour. The Jakarta government [illegible] to cocoa growers in [illegible] open [illegible] new plantations [illegible] resettlement in sparsely populated [illegible]

Malaysian cocoa [illegible] cannot compete with Indonesian production costs. It [illegible] costs about M$3,000 (£1,115) a tonne for cocoa produced on Malaysia's estates – M$2,400 on smallholdings. Costs in Indonesia [illegible] lower. Though cocoa prices [illegible] the Malaysian market [illegible] climbed to M$2,800 per tonne in recent months, many feel cocoa has had its day in Malaysia.

The Malaysian Cocoa Board is fighting to stop a wholesale abandonment of the crop. It points out that though Malaysia is a high cost producer, it is [illegible] the [illegible] efficient [illegible] in Sabah [illegible] producing [illegible] of cocoa [illegible] hectare. In Africa the average is about 500kg per hectare.

Hopes [illegible] world [illegible] prices will continue [illegible] rise, have [illegible] partially revived by the agreement reached recently by producing and consuming countries on a new five-year world cocoa [illegible]ment aimed at bringing supply and demand into balance.

While cocoa statistics are notoriously unreliable, most analysts agree that world production has lagged behind consumption in each of the last three years. But world stocks are still around the 1m-tonne mark and the international cocoa organisation has meanwhile pledged to liquidate its buffer stock of 180,000 tonnes by 1998.

"The key is proper [illegible] ing of world production and perhaps most important, more [illegible] encourage wider cocoa consumption," says Mr Hashim.

"Malaysia [illegible] been [illegible] about its production figures. We have [illegible] made [illegible] efforts through various campaigns to increase public consumption of cocoa. We hope other countries take similar measures. If not, we will never achieve our aim of achieving fair prices."

Continuing zinc glut forecast

By Kenneth Gooding, Mining Correspondent

The zinc market faced severe difficulties because of oversupply, the International Lead & Zinc Study Group, an inter-governmental organisation, warned yesterday. It dropped a broad hint that member governments should urge their industries to take action to halt the oversupply that is swelling stocks and depressing prices.

The study group said that information supplied by its members showed that zinc metal production outside the former communist countries was on course to repeat last year's record of 5.47m tonnes. Imports from eastern Europe might be a little below the "extremely high" 415,000 tonnes reached last year, "but at present there is little indication of a major reduction".

Meanwhile, zinc consumption was forecast to improve by 1.6 per cent to 5.57m tonnes, thanks to strong growth in North America and South East Asia.

The study group warned that "a further substantial surplus of metal appears inevitable unless metal production [illegible] reduced from levels currently planned." Stocks already are equivalent to nearly four months consump[illegible] with 1.14m tonnes in Lon[illegible] Metal Exchange ware[illegible]

Zinc prices have fallen by 10 per cent from the already-depressed $1,040 a tonne reached just before European producers admitted in mid-February that their attempts to end over-capacity by the co-ordinated closure of one or two smelters had collapsed. It was the [illegible] attempt [illegible] deal with the structural [illegible]vercapacity that has plagued the European [illegible] industry for 20 years via the industry sharing the cost of smelter closures. It is widely believed that the zinc smelter "shut-down" deal fell apart because producers believed some rivals had such huge financial difficulties that they would be forced to close smelters anyway.

Zaire's problems make room for cobalt competitors

By Kenneth Gooding

The world had room for the substantial new cobalt production currently planned, suggested the Cobalt Development Institute after reporting a 23 per cent fall in output by its members in 1993.

Cobalt is a metal essential in some of the superalloys used by the aerospace industry and for some motor industry products.

All of the 1993 drop, to 13,843 tonnes, was accounted for by Gecamines, the state-owned producer in Zaire, once the world's biggest producer but whose output has dwindled as the country has sunk into political chaos. The institute said that Gecamines' output last year was 2,200 tonnes, down from 8,625 tonnes in 1992. In 1987 the company produced about 12,000 tonnes.

The other six producer-members of the institute have been increasing output – by 17 per cent in the past five years to 11,643 tonnes. Outokumpu of Finland and Sherritt of Canada each have nearly doubled production in that time to 2,200 tonnes and 1,218 tonnes respectively.

The institute estimated that, when non-members and other sources were included, 17,263 tonnes of new cobalt was available in the western world last year, down from 22,781 tonnes in 1992. With 3,000 tonnes left in stock at the end of 1992, the institute said it would be safe to assume that 20,260 tonnes was available. This was in line with demand (outside Russia), which it estimated at 19,200 tonnes.

The institute pointed out that "the underlying trend of rapidly falling output from Zaire asserted itself and the price going into 1994 effectively doubled over the Christmas period."

It added: "There is much new cobalt production, in embryo or close to hatching stage, in various parts of the world. They should be born into a receptive world."

MARKET REPORT

Zinc and nickel make late gains at the LME

Base metals ended the day trading in recent well-established ranges with the closure of the New York Commodity Exchange stifling activity in the COPPER market. But zinc and nickel prices moved higher as buying picked up in the after hours "kerb" session.

ALUMINIUM weathered Chinese selling to maintain early gains reflecting speculative buying and short-covering. Last business for the three months delivery position was at $1,296.50 a tonne, up $10.50.

Three months ZINC recovered from a low of $932 a tonne on the back of late brisk commission house buying and short-covering. It closed at $945, up $9 from Tuesday.

NICKEL, after finding support at $5,300 a tonne for three months delivery, moved higher in late trading amid European trade buying to end at $5,365, a gain of $35.

Trading was very slow on the precious metal markets after a featureless options expiry.

GOLD fixed at $374.25 a troy ounce, just 10 cents down on the morning setting and 5 cents below the Tuesday afternoon fixing. "Everything has come off a bit. There is very little business going on," one dealer said.

Gold had gained some early support from the rather fraught start to polling in South Africa and was marked up a couple of ticks after news of the bomb at Johannesburg airport, dealers said.

SILVER was quiet all day and slipped to a cent under the $5.17-$5.19 opening by mid-afternoon after gaining a couple of cents earlier.

Compiled from Reuter

Oman gases up for drive to maintain export earnings

Andi Spicer [illegible] a $9bn LNG project that will help reduce the sultanate's dependence on oil revenues

Oman, one of the smaller oil producers in the Middle East, gave the final go-ahead earlier this year for a $9bn liquefied natural gas project that will by the end of the century make gas almost as important as oil to the sultanate's [illegible] revenues.

The shift in emphasis to gas is part of strategy to lead the country away from dependence on its limited oil reserves, which will start to decline within the next 20 years. Most recent discoveries have been of non-associated gas (found separately from oil fields) and this makes the economies of a large export facility more attractive. More than five trillion (million million) cubic feet of gas was found last year.

"Reserves keep on improving every month and we're quite confident that current estimates of 20 trillion cubic feet of gas will double by the end of the decade, and will be enough for 50 years," said Mr Khalifa al-Hinai, director general of gas, after the LNG project was given the green light in February.

But the low oil price, which has had a knock on effect on LNG rates, has made Oman rethink its original plans and it is considering where costs can be cut. The US$9bn price tag was always at the top end of expectations and Mr Khalifa al-Hinai believes that shaving costs will not diminish the project in any way.

The gas will come mainly from three large fields in the central Wusta region of the country – Sayi Rawl, Sayh an Nugaydah and Barik. These fields are recent discoveries and between them have proven reserves of 6.3 trillion cu ft.

A pipeline is to run north through the Wahiba Sands to a point near Sur, where it will branch along the coast to the site of a new $2bn liquefaction plant and loading facilities at Simmah. It will run underwater for some of the way to protect the area's stunning natural beauty.

The upstream part of the project will be 100 per cent owned by the Omani Government and operated on its behalf by state-oil company Petroleum Development Oman. But a new company, Oman LNG, has been formed to handle the downstream processing. Partners include Shell (34 per cent), Total (6 per cent), Partex (2 per cent) and Japan's Mitsubishi (3 per cent), Mitsui ([illegible] per cent) and C Itoh (1 per cent). The government will hold the remaining capital.

[illegible] up [illegible] August 1999 and Omani oil minister Said bin Ahmed al-Shanfari has said that the plant's capacity will be 5m-6m tonnes [illegible] year.

"This will make LNG production equal [illegible] that of [illegible] and make gas [illegible] largest foreign exchange earner after [illegible] It is a world-scale project, like the projects [illegible] Abu Dhabi," he explained.

When the gas starts to flow there will initially be a high percentage of condensate ([illegible] light liquid gas), which will gradually decline over the lifetime of the project, said Mr Khalifa al-Hinai.

The involvement of Japanese companies in OLNG betrays the major destination for the gas – Tokyo Gas has visited Muscat to negotiate buying LNG from the project. But ministry officials have said that southern European utilities, particularly from Spain, Italy and [illegible] have expressed an interest. Other Asian countries, like south Korea and China, Taiwan, Thailand and India are also being targeted.

Oman's LNG export is an important part of in a growing gas network in the Gulf region. A $5m pipeline to transport gas from Oman to India is under consideration and long-term the UAE, Qatar and Oman are thinking of linking their gas systems together to provide a unified export route to Asia. Yemen is on the edge of its gas exploitation, although its non-membership of the Gulf Co-operation Council will hamper its inclusion.

The attraction of Oman as an export terminal is its strategic position on the right side of the Straits of Hormuz. Japan, in particular, is worried that another Gulf war would close the straits and considers Oman a safer political bet.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	[illegible]	[illegible]
Previous	[illegible]	[illegible]
High/low	1268/1256	1297/1286
[illegible] Official	[illegible]	[illegible]
Kerb close		1296-6.5
Open int.	[illegible]	
Total daily turnover	36,627	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1305-10	[illegible]
Previous	1300-10	[illegible]
High/low	1300	[illegible]
[illegible]	[illegible]	[illegible]
Kerb [illegible]		1310-5
Open int.	4,091	
Total daily turnover	615	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	437-8	452-3
Previous	439-40	454.5-5.0
High/low		457/450
[illegible]	[illegible]	450.5-1.0
[illegible]		456-7
Open int.	33,194	
Total daily turnover	10,338	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	5255-60	5325-30
Previous	5235-40	5310-20
High/low	5250/5247	5385/5305
[illegible] Official	5247-50	5320-25
[illegible]		5365-70
Open int.	53,617	
Total daily turnover	12,205	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5365-70	5430-35
Previous	[illegible]	[illegible]
High/low		5450/5390
[illegible] Official	5340-45	5405-10
Kerb close		5445-50
Open int.	16,851	
[illegible] daily [illegible]	[illegible]	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	914-15	[illegible]
Previous	909.5-11.5	[illegible]
High/low	910	946/932
AM Official	[illegible]	[illegible]
Kerb close		945-6
Open int.	101,519	
[illegible] daily turnover	12,130	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	[illegible]	1917-18
Previous	[illegible]	1911-11.5
High/low		1921/1911
AM Official	[illegible]	1914.5-15.0
Kerb [illegible]		[illegible]
Open int.	[illegible]	
Total daily [illegible]	38,371	

Base metals continued

■ LME AM Official £/$ rate: 1.5078
LME Closing £/$ rate: 1.5050

Spot: 1.5085 3 mths: 1.5030 6 mths: [illegible] 9 mths: 1.5000

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	374.20-374.60	
Opening	[illegible]	
[illegible] fix	374.35	[illegible]
[illegible] fix	374.25	[illegible]
[illegible]	374.80-374.20	
[illegible]	374.10-374.50	
[illegible]	[illegible]73.90	

[illegible] Ldn [illegible] Gold Lending [illegible] (Vs [illegible])

1 [illegible]	3.49	[illegible]	3.91
[illegible]	[illegible]	[illegible]	4.45
3 months	3.84		

Silver Fix	p/troy oz.	US cts equiv.
Spot	342.75	516.50
3 months	346.95	521.60
[illegible] months	351.35	527.50
1 year	361.40	541.55

Gold Coins	$ price	£ equiv.
Krugerrand	377-380	250-252
Maple Leaf	384.45-386.90	
[illegible]	88-91	58-61

ENERGY

■ CRUDE OIL IPE ($/barrel)

	[illegible] price	Day's [illegible]	High	Low	[illegible]	Vol
Jun	[illegible]	-0.17	[illegible]	15.30	75,312	[illegible]
Jul	15.28	-0.10	15.32	15.23	41,840	[illegible]
Aug	15.24	-0.11	15.27	15.18	17,112	1,571
Sep	15.24	-0.13	15.25	15.18	10,151	830
[illegible]	15.25	-0.11	15.30	15.18	4,361	541
Nov	15.26	-0.14	15.30	15.26	[illegible]	[illegible]
Total					158,163	[illegible]

■ GAS OIL IPE ($/tonne)

May	148.75	[illegible]	149.25	148.50	24,285	4,753
Jun	148.25	-2.75	149.75	[illegible]	21,954	[illegible]
Jul	149.25	-2.50	149.50	148.75	15,681	[illegible]
Aug	150.50	[illegible]	150.75	150.50	6,613	337
Sep	152.00	-2.50	152.00	151.50	[illegible]	580
[illegible]	154.25	-2.50	154.50	154.00	5,844	158
Total					98,900	[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	114.20	+0.20	[illegible]	114.10	[illegible]	46
Jun	114.35	[illegible]	[illegible]	[illegible]	1,037	61
[illegible]	96.85	+0.65	96.50	[illegible]	[illegible]	30
Nov	[illegible]	+0.75	[illegible]	[illegible]	1,421	87
Jan	[illegible]	+0.55	[illegible]	[illegible]	792	10
[illegible]	100.85	+0.55	-	-	370	-
Total					4,884	288

■ BARLEY LCE (£ per tonne)

[illegible]	108.25	-0.30	108.00	108.00	85	20
[illegible]	[illegible]	[illegible]	-	-	136	-
[illegible]	[illegible]	[illegible]	98.50	98.00	125	45
Jan	100.25	[illegible]	-	-	21	-
Mar	101.50	+1.00	-	-	7	-
May	102.50	+0.80	-	-	-	-
[illegible]					387	68

■ POTATOES LCE (£/tonne)

May	[illegible]	[illegible]	[illegible]	250.0	286	54
Jun	262.5	-	-	-	339	-
[illegible]	90.0	-	-	-	-	-
Mar	105.0	-	-	-	27	-
Apr	127.5	-3.3	130.0	127.0	481	23
May	140.0	-	-	-	-	-
[illegible]					737	77

■ FREIGHT (BIFFEX) LCE ($10/index point)

Apr	1382	[illegible]	1375	1375	827	2
[illegible]	1367	-13	1380	1380	797	93
Jan	1274	-16	1290	1265	424	76
Jul	1176	[illegible]	1185	1168	589	37
Oct	[illegible]	-15	1275	1275	270	1
Jan	[illegible]	+3	0	0	144	-
Total					3,151	209

	[illegible]	Prev
BFI	1386	1371

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	826	-19	835	828	5,773	1,119
Jul	851	-14	856	845	20,758	2,467
Sep	872	-12	878	866	13,476	870
Dec	897	-11	901	890	18,952	1,177
Mar	919	-10	922	915	26,818	428
May	933	-10	936	928	10,149	147
[illegible]					106,686	6,267

■ COFFEE LCE ($/tonne)

May	1523	-12	1532	1522	5,358	204
Jul	1476	-13	1485	1475	18,068	494
[illegible]	1457	-12	1466	1466	10,120	559
Nov	1451	-8	1457	1453	4,424	231
Jan	1444	-8	1450	1445	5,579	125
[illegible]	1435	-9	1442	1439	1,891	46
[illegible]					45,447	1,708

Softs continued

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	[illegible]	[illegible]	-	-	[illegible]	-
Jul	[illegible]	-0.03	-	-	2,870	-
Oct	11.80	-0.05	-	-	282	-
Jan	11.81	-	-	-	-	-
Total					3,279	-

■ WHITE SUGAR LCE ($/tonne)

Aug	327.40	-0.80	328.00	327.10	10,283	315
Oct	311.90	-0.80	312.40	312.00	[illegible]	25
Dec	306.40	-0.30	306.50	306.50	295	4
Mar	303.40	+0.50	303.50	303.50	1,020	[illegible]
[illegible]	303.40	+1.00	303.00	303.00	194	4
Aug	307.30	+1.40	-	-	215	-
Total					18,676	368

LONDON TRADED OPTIONS

Strike price $ tonne	Calls Jul	Calls Oct	Puts Jul	Puts Oct
■ ALUMINIUM (99.7%) LME	Jul	Oct	Jul	Oct
1275	50	83	30	39
1300	37	69	42	50
1325	27	57	57	62
■ COPPER (Grade A) LME	Jul	Oct	Jul	Oct
1850	93	121	25	43
1900	63	93	44	63
1950	39	69	70	88
■ COFFEE LCE	Jul	Sep	Jul	Sep
1300	182	180	6	23
1350	139	143	13	36
1400	101	112	21	55
■ COCOA LCE	Jul	Sep	Jul	Sep
875	20	44	44	47
900	13	34	62	62
925	8	26	82	79
■ BRENT CRUDE IPE	May	Jun	May	Jun
1400	-	-	2	-
1450	98	-	11	-
1500	57	-	24	46

Cotton

Liverpool- Spot and shipment sales amounted to 277 tonnes for the week ended 22 April, against 229 tonnes in the previous week. Improved demand brought moderate purchases mainly in Central Asian descriptions. American growths made some headway.

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Jun)

		+or-
Dubai	$14.01-4.10y	-0.17
Brent Blend (dated)	$15.72-5.79	-0.375
Brent Blend (Jun)	[illegible]	[illegible]
[illegible] (1pm est)	N/A	

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	[illegible]	-2
Gas Oil	$151-153	-2
Heavy Fuel Oil	$79-82	-1
Naphtha	$147-149	[illegible]
Jet Fuel	$161-163	[illegible]
[illegible] Argus Estimates		

■ OTHER

Gold (per troy oz)♣	$374.40	+0.70
Silver (per troy oz)♣	517.50c	-1.0
Platinum (per troy oz.)	$392.50	-2.10
Palladium (per troy oz.)	$135.25	
Copper (US prod.)	94.00c	
Lead (US prod.)	35.00c	
Tin (Kuala Lumpur)	14.30r	-0.01
Tin (New York)	N/A	
Zinc (US Prime W.)	Unq.	
Cattle (live weight)†	126.23p	-1.08*
[illegible]p (live weight)†♠	144.65p	+2.49*
[illegible] (live weight)	78.27p	+0.74*
Lon. day sugar (raw)	$282.70	-6.20
Lon. day sugar (wte)	$332.50	-
Tate [illegible] Lyle export	£299.00	-8.00
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	$138.5	
Wheat (US Dark North)	£160.0x	
Rubber (Jun)♥	70.00p	-0.25
Rubber (Jul)♥	70.25p	-0.25
Rubber(KL RSS No1 Apr)	255.50m	+0.50
Coconut Oil (Phil)§	$572.5t	-5.0
Palm Oil (Malay.)§	$462.5w	-5.0
Copra (Phil)§	$371.0	-3
Soyabeans (US)	£214.0	
Cotton Outlook A Index	84.60c	-0.65
Wooltops (64s Super)	400p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Mar/Apr. y Jun. w May. t May/Jun. x Apr/May. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week, provisional prices.

INDICES

■ REUTERS (Base: 18/9/31=100)

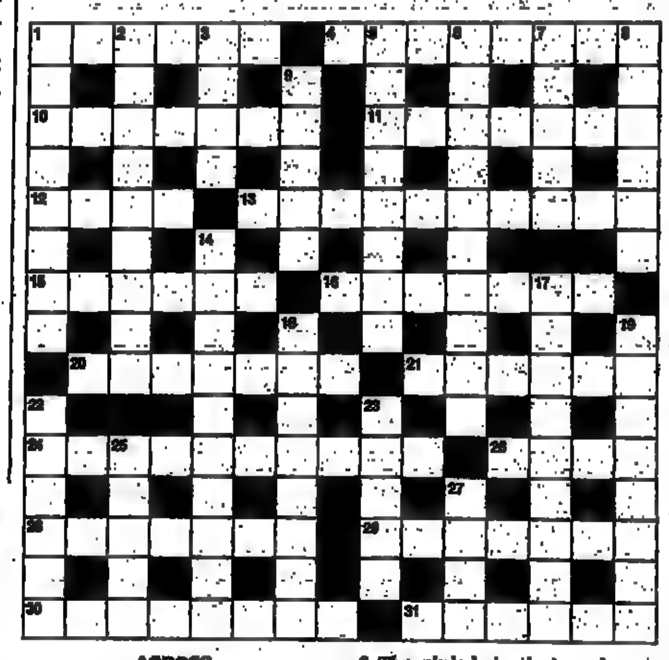
Apr 27	Apr 26	month ago	year ago
1827.5	1832.1	1832.6	1673.0

■ CRB Futures (Base: 4/9/56=100)

Apr 26	Apr 25	month ago	year ago
221.65	222.29	226.87	210.85

CROSSWORD

No.8,440 Set by ALAUN



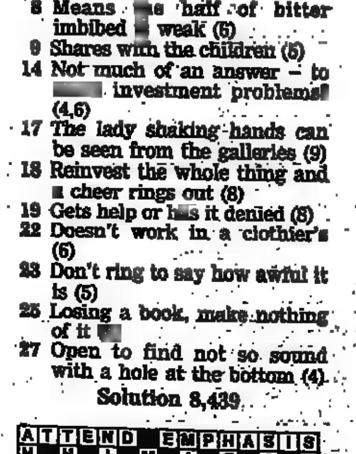
ACROSS

1 How a policeman feels when he catches a subject? (6)
4 Did the crotchety old soldier fiddle with it? (8)
10 Doesn't go back with me. It's pouring outside (7)
11 Order a strike to try to attract attention (4,3)
12 Little change was [illegible] in India for many years (4)
13 Disallowed by rules in a mess (3,2,5)
15 Instruction [illegible] should have (6)
16 Book that's something for a rainy day (7)
20 Clumsily darned the hole in it, but made it look better (7)
21 When there's a vacancy, she orders a girl to go round (6)
24 Don't bother to take a holiday by yourself ([illegible],5)
26 Soon there will be no point to getting ahead (4)
28 Guide to behaviour (7)
29 Notes the tin soldiers – two lots of them (7)
30 It might stop a report getting a hearing (8)
31 Is that herring high? (6)

DOWN

1 In the conventional way, with a school-friend (8)
2 Having got shot of, in no danger from any more (9)
3 Make up a yarn (4)
5 Supposed it was an adder (8)
6 The pink lady that made one feel so ill? (10)
7 Think a lot of one's children (5)
8 Means [illegible] half of bitter imbibed [illegible] weak (6)
9 Shares with the children (5)
14 Not much of an answer – to [illegible] investment problems! (4,6)
17 The lady shaking hands can be seen from the galleries (9)
18 Reinvest the whole thing and a cheer rings out (8)
19 Gets help or h[illegible]s it denied (8)
22 Doesn't work in a clothier's (6)
23 Don't ring to say how awful it is (5)
25 Losing a book, make nothing of it [illegible]
27 Open to find not so sound with a hole at the bottom (4)

Solution 8,439



JOTTER PAD

هكذا من الاصل

[illegible] STOCK EXCHANGE

MARKET REPORT

Strong close to an optimistic trading session

By Terry Byland,
UK Stock Market Editor

The closure of US securities markets for the funeral of former President Nixon left markets in Europe to [illegible] favourably yesterday on interest rate trends in Germany. UK equities put [illegible] their fading hopes for [illegible] cut in domestic rates, and also some mild disappointment [illegible] the outcome [illegible] the day's auction of British government bonds, to [illegible] across [illegible] market.

The tone of the market was particularly firm at the close, with [illegible] FT-SE Index [illegible] up at the [illegible] of [illegible] day, with [illegible] index [illegible] form. [illegible] FT-SE Index [illegible] important market benchmark.

Takeover speculation [illegible] part in [illegible] market advance, with the oil sector agog with excitement as Lasmo topped the active stocks list and the share price ran well above the level [illegible] which Enterprise Oil, one of the [illegible] bidders, yesterday ruled itself out of [illegible] listings.

After a cautious start, UK equities turned higher with other European bond and [illegible] markets after the Bundesbank repos tender [illegible] a further reduction in yields of 11 basis points. [illegible] a favourable tone for today's meeting of the Bundesbank's policy council, although the markets would [illegible] pleasantly surprised [illegible] further [illegible] morning.

The [illegible] quickly added more [illegible] points, although prices topped off with UK gilt-edged stocks after some specialists reacted negatively to the yield of 7.46 per cent [illegible] 1.7x [illegible] the [illegible] of bonds auctioned yesterday. Bond prices soon recovered their poise, however, and provided support.

Already reflecting the [illegible] from Wall Street [illegible] in the day, activity in UK [illegible] mid-session, [illegible] gain on the Footsie [illegible] 14 points in the second half of the session. [illegible] increased [illegible] towards the close brought widespread gains among the second line stocks. At the close, the FT-SE Mid 250 Index was 16.2 ahead at 3,793.9 [illegible] the [illegible] 100 stocks found renewed support. Bid speculation enjoyed a revival after some weeks [illegible] absence from the [illegible] scene.

The day's Seaq total of 618.8m shares, boosted by more than 40m [illegible] in Lasmo, [illegible] more than 18 per cent down on the previ[illegible] Tuesday's [illegible] shares represented £1.56bn in retail worth, [illegible] the higher end of recent daily averages.

[illegible] brought [illegible] economic [illegible] is [illegible] to [illegible] company [illegible] and dividends. The corporate list [illegible] heavy [illegible], but ICI stood out [illegible] as dealers waited to see if the profit figures, [illegible] today, [illegible] the improved earnings trend reported already by such global leaders as Hoechst, Bayer and Du Pont.

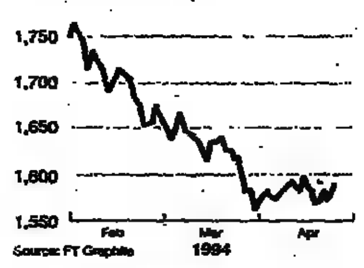
While wary of expressing [illegible] much optimism after a session lacking a lead from Wall Street, and well aware [illegible] a further tightening in Federal Reserve credit policy remains a fact of life, analysts commented [illegible] the improved [illegible] shown in the UK market.

When [illegible] US markets re-open today, they will [illegible] US [illegible] domestic product and unemployment claims, [illegible] well [illegible] bond [illegible]tion. The UK stock market showed [illegible] this [illegible] that it [illegible] still be highly vulnerable [illegible] developments in [illegible] markets on the other side of the Atlantic.

Account Dealing Dates		
*First Dealings:		
Apr 11	Apr 25	May 16
Option Declarations:		
Apr 21	May 12	Jun 2
Last Dealings:		
Apr 22	May 13	[illegible]
Account Day:		
May 3	May 23	Jun 13

*New time dealings may take place from two business days earlier.

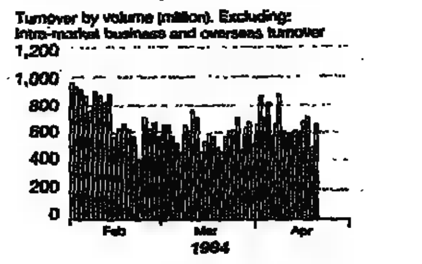
FT-SE-A All-Share index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: Intra-market business and overseas turnover



Key Indicators

Indices and ratios

FT-SE 100	[illegible]	+24.7	FT Ordinary index	2509.8	+17.4
FT-SE Mid 250	[illegible]	[illegible]	FT-SE-A Non Fins p/e	[illegible]	[illegible]
[illegible]	1599.1	+11.2	FT-SE 100 Fut Jun	[illegible]	[illegible]
FT-SE-A All-Share	[illegible]	+10.48	10 yr Gilt yield	7.87	[illegible]
FT-SE-A All-Share yield	[illegible]	[illegible]	Long gilt/equity yld ratio:	[illegible]	[illegible]

Best performing sectors		Worst performing sectors	
1 Merchant Banks	+3.2	1 Gas Distribution	-0.8
2 Retailers, Food	+2.2	2 Building & Cons	-0.8
3 Oil Exploration	+1.8	3 Life Assurance	-0.3
4 Other Ser & Bus	+1.7	4 Electronic & Elec	-0.3
5 Household Goods	+1.7	5 Other Financial	-0.2

Heavy trade in Lasmo

The Lasmo stakebuilding/takeover story that [illegible] bubbling since [illegible] group [illegible] £219m rights issue two weeks ago burst into [illegible] yesterday [illegible] Enterprise Oil admitted that it was considering a bid for [illegible] oil exploration group.

The story took a further turn late in [illegible] when [illegible] swept the market that British Gas was about to wade in with [illegible] 180p a share bid. It was Gas that triggered [illegible] flurry [illegible] takeover bids – involving Britoil, Lasmo and Tricentrol – in the late [illegible] it launched [illegible] on Lasmo.

The Enterprise [illegible] triggered [illegible] flurry of activity in Lasmo shares which raced [illegible] 167p before closing 9½ higher at 162½p on turnover of [illegible]. The nil-paids leapt [illegible] 57¼p [illegible]. The [illegible] options were [illegible] market's [illegible] active with [illegible] equivalent [illegible] 7.6m shares changing hands.

Enterprise [illegible] market and triggered an immediate mark-down of its own shares which hit a low of 425p before rallying to close 6 off at 445p. Dealers said the [illegible] came [illegible] the market picked up the [illegible] of [illegible] British [illegible] bid which would enable Enterprise [illegible] walk [illegible] from what [illegible] being [illegible] increasingly expensive acquisition.

Analysts [illegible] perplexed [illegible] Enterprise's [illegible] "If they wanted [illegible] bid [illegible] Lasmo why [illegible] they [illegible] a couple [illegible] the company [illegible] in real trouble, with [illegible] real [illegible] and big financial problems?" said one specialist. Gas shares, weak earlier this [illegible] as talk of a possible bid for Lasmo circulated, eased 2½ more to 295p.

Bids alert

The return [illegible] bid activity in the [illegible] ber [illegible] old speculative targets taken out of [illegible] cupboard and dusted down. The main vulner[illegible] companies [illegible] seen to be Vickers, Fisons and United Biscuits, [illegible] were also supported for other [illegible].

UB was being linked with American Brands, [illegible] cash from this [illegible] $1bn deal with BAT, although food manufacturing analysts said a link-up with [illegible] food giant [illegible] would make more strategic sense for the UK company. However, they also pointed [illegible] that UB was [illegible]fiting from good [illegible] from the snack division [illegible] PepsiCo, the US food and drink group. UB [illegible] to [illegible].

[illegible] a perennial takeover subject, [illegible] 6 [illegible], [illegible] shares receiving help from [illegible] strategic [illegible] published by [illegible] New [illegible]. The house has [illegible] its [illegible] stocks. The [illegible] Colman to [illegible] list. The thinly traded stock jumped 16 to 664p.

Vickers gained 5 [illegible] 199p [illegible] of [illegible] annual meeting today. Robert Fleming [illegible] however [illegible] main support lies in the recovery [illegible] company's Roll's Royce car division.

Kleinwort lifted

Bullish [illegible] by Lord Rockley, chairman of Kleinwort Benson, at the merchant bank's annual meeting, triggered a burst of heavy [illegible] for Kleinwort shares and a general upturn in [illegible] merchant banks.

These have suffered badly in the [illegible] the steep falls in international bond markets in the wake of the US Federal Reserve's tightening of monetary policy. Many of the big US investment banks are said to have suffered big losses in markets.

Lord Rockley said the bank's overall performance in the first quarter was in line with that for the same period last year. The news was greeted [illegible] widespread [illegible] by [illegible] and analysts.

Kleinwort shares jumped to 485p before ending 38 higher at 483p. Other merchants [illegible] heavy support, [illegible] Hambros adding 13 to [illegible], Schroders 30 to 1285p and SG Warburg 22 to 782p.

[illegible] of BAT Industries' acquisition of American Tobacco saw the tobacco to insurance conglomerate's [illegible] improve 4½ to 461p, while sector stablemate Rothmans International gained 15 to 408p.

Pharmaceutical issues rebounded after a period of extended [illegible]. [illegible] and Wellcome bounced 11 apiece to 564p and 510p.

ICI spurted forward [illegible] to [illegible] ahead [illegible] quarter figures today.

Transport and [illegible] P & O [illegible] 12 [illegible] 715p as [illegible] fretted [illegible] the change in depreciation policy [illegible] bulk and container ships mentioned [illegible] the company's report and [illegible].

NFC shed 3 [illegible] after [illegible] of [illegible] shares [illegible] placed in the market at 231p.

A shortage of stock sent conglomerate [illegible] forward [illegible] to 275p after Lehman Brothers reiterated its but stance. [illegible] investment [illegible] shares [illegible] worth 300p in the short term.

The oil majors attracted further strong support from UK fund [illegible], with BP moving up [illegible] more to [illegible] record 399p on turnover of 9.3m shares. Shell, still sustained by the £350m boost to second quarter income by a big asset sale [illegible] the far east, added 8 at 736p.

The takeover action involving Lasmo produced interest in the smaller oil stocks where Goal edged up 2 to 73p and Premier the same to 31p.

In a generally firm utilities sector East Midlands Electricity jumped 8 to [illegible] following a strong buy recommendation from the Smith New Court utilities team.

The leisure sector was deeply divided [illegible] from Compass, which [illegible] firmed [illegible] spend £300m [illegible] buying US food service group Canteen. It [illegible] to be partly [illegible] by a 6-for-19 rights [illegible] at 270p raising [illegible].

Mr [illegible] at Smith New Court was positive. "It's in a [illegible] they understand [illegible] substantially [illegible] prospects for earnings growth." Others [illegible] impressed, including [illegible] which removed [illegible] from [illegible] buy list. Mr Mark Finnie [illegible] "[illegible] Compass into unchartered territory and raises the risk [illegible] of the [illegible]." Compass shares slid 6 to 310p.

Logica, the software [illegible] tancy group, improved 15 to 300p as Hoare Govett issued a buy recommendation. The [illegible] the new management [illegible] is well poised [illegible] improve margin growth.

VSEL, the submarine manufacturer, rose [illegible] on hopes of [illegible] Ministry of Defence order.

Holiday group Airtours confirmed its intention to buy a [illegible] tour [illegible] for £74m, to be funded largely by a rights issue. The shares fell 18 to 448p. Williams Holdings fell 9 to 379p on turnover of 10m after a £287m rights issue.

MARKET REPORTERS:
Steve Thompson,
Chris Price,
Peter John.

■ Other [illegible] Page 20

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (65).
BUILDING & [illegible] (2) Bet Bros., Shorco, BLDG MATLS & MCHTS (4) Hewetson, Pilkington, Do Wrts., Russell (A), CHEMICALS (6) Bayer, British Vita, European Colour, Hoechst, Holliday, ICI, Kalon, MTM, DISTRIBUTORS (3) Acal, Northamber, Wyko, DIVERSIFIED INDLS (3) ELECTRNC & ELECT EQUP (4) Azlan, Control Techs., Noise Pft., Pelon, ENGINEERING (8) ENG. [illegible] (3) Daimler-Benz, GKN, Tinsley, [illegible] INDS (3) [illegible] GOODS [illegible] Pops., [illegible] TRUSTS (1) LEISURE & HOTELS (1) Ransden's [illegible] Euromoney, Metro Radio, OIL EXPLORATION & PROD (6) OTHER FINANCIAL (1) Paramba, OTHER SERVS & BUSNS (1) PRTNG, PAPER & PACKG (2) Sappi, Sidlaw, PROPERTY (4) Bucknall, Rugby Estates, WSP, Warnford Inv., RETAILERS, GENERAL (1) Liberty, SUPPORT SERVS (4) Admiral, Corporate Servs., Sage, Sema, TEXTILES & APPAREL (1) Wensum, AMERICANS (1).
NEW LOWS (62).
BANKS (1) Espirito Santo Finel., BUILDING & CNSTRN (3) Amco, Berkeley, Westbury, BLDG MATLS & MCHTS (3) DISTRIBUTORS (1) Time Products, DIVERSIFIED INDLS (2) Pacific Dunlop, Williams 8p Prf., ENGINEERING (3) Hall, Powerscreen Intl., EXTRACTIVE INDS (2) HEALTH CARE (1) London Ins., INSURANCE (6) INVESTMENT TRUSTS (6) INVESTMENT COMPANIES (12) LEISURE & HOTELS (3) LIFE ASSURANCE (3) Lincoln Natl., London & Man., Utd. Friendly B, OIL, INTEGRATED (1) Mobil, OTHER FINANCIAL (6) PRTNG, PAPER & PACKG (1) Lawson Mardon, PROPERTY (3) Allied Lon. 5¾pc Prf., EDA, Tops Estates, RETAILERS, FOOD (1) Kwik Save, RETAILERS, GENERAL (3) SUPPORT SERVS (3) Cedardata, Holmes, TEXTILES & [illegible] (1) Albion, TRANSPORT (3) WATER (3) Chesam A, Do B, East Surrey, AMERICANS (3) CANADIANS (1).

EQUITY FUTURES AND OPTIONS TRADING

The upsurge in corporate activity prompted [illegible] turnover in the options market yesterday, although the futures continued the week's [illegible] pattern of thin trading and direction-less drifting, writes Christopher Price.

The June futures contract opened brightly at 3,140, near its low of the day, inspired in part by a good showing from gilts and bunds.

[illegible] followed, although there was a slight hiccup in the contract's slow forward momentum in mid-morning with disappointing results from the gilts auction. However, this proved only a temporary glitch and June continued to edge forward with trading confined to a tight 20-point range for most of the day.

With Wall Street closed, there was no directional help for June in the afternoon session, and the [illegible] drifted, finally closing at 3,153. With seemingly little investor enthusiasm, volume was a thin 6,900. But dealers reported an uptum in after hours trading, with June moving up to 3,164.

Lasmo again topped [illegible] stock options as the speculation over its future attracted heavy buying. [illegible] hit 7,581 contracts, equivalent to 7.5m shares in the equity market. Overall turnover reached 37,037, with FTSE volume at 7,517. Hanson was the second top stock option at 3,395.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	[illegible]	[illegible]	Est. vol	Open int.
[illegible]	3142.0	3153.0	+19.0	3164.0	[illegible]	7984	51962
[illegible]	3165.0	3171.5	+19.0	3165.0	[illegible]	1	720
Dec		3192.5	+19.0			0	210

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

Jun	3799.0	3800.0	+16.0	3800.0	[illegible]	163	3575

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

Jun		3795.0					613

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3146) £10 per full index point

[illegible]

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

[illegible]

TRADING VOLUME

■ Major Stocks Yesterday

[illegible]

FT-SE Actuaries Share Indices — The UK Series

[illegible]

■ FT-SE Actuaries All-Share

[illegible]

■ Hourly movements

[illegible]

■ FT-SE Actuaries 350 Industry baskets

[illegible]

LONDON EQUITIES

LIFFE EQUITY OPTIONS

[illegible]

RISES AND FALLS YESTERDAY

	Rises	[illegible]	Same
British Funds	64	6	15
[illegible] Interest	4	1	[illegible]
[illegible]	82	78	[illegible]
General Manufacturers	180	110	[illegible]
Consumer Goods	61	35	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

TRADITIONAL OPTIONS

[illegible]

LONDON RECENT ISSUES: EQUITIES

[illegible]

RIGHTS OFFERS

[illegible]

FINANCIAL TIMES EQUITY INDICES

[illegible]

FT GOLD MINES INDEX

[illegible]

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or -	1994 High	1994 low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£21¾	+⅛	£25⅛	£21⅞	6,452	5.1	♣
ANZ A$		227¼	-3	278¾	220½	3,628	4.0	17.9
Abbey National	N□	440xd	+5	523	432	5,877	3.9	15.1
Allied Irish I£	♣N□	248xd	—	314	241	1,634	5.1	9.5
Anglo Irish I£	N□	68	—	*78	65	108.3	7.8	10.0
Asahi Y		704¼	-½	759¼	628	16,357	0.7	–
Banco Bil Viz Pta		£16⅝	-⅛	£18¼	£14⅜	3,660	5.2	7.1
Banco Sant Pta		£31⅝	—	£34⅝	£29⅜	3,513	4.3	♣
Bk Ireland I£	♣□	269	+4	*379	246	1,268	4.6	19.6
Bank Scotland	♣†□	166	+2	247	180	2,166	3.1	21.3
9¼pc Pf		121xd	+½	141½	120½	121.0	9.8	–
9¾pc Pf		127½xd	+½	148½	127	127.5	9.6	–
Barclays	♣N□	510xd	+2	640	487	8,412	3.7	21.5
Dai Ichi Kan Y		222½	+⅛	£22¼	£10⅞	37,832	0.4	67.0
Deutsche DM		£310⅝	-⅝	£344¼	£297⅝	14,799	2.0	–
Espirito Santo		£18¼	-⅛	£26½	[illegible]	200.5	4.3	4.5
First Nat Fin	N□	72	+1	*90	60	119.3	2.6	–
6.3pc Cv Pf		83	—	*90	77	5.69	9.5	–
7pc Cv Pf		145	—	171	123	69.3	6.0	–
Fuji Bank Y		1480¼	+3¼	1549¼	1152½	42,576	0.4	–
HSBC HK	□	756xd	+6½	1133	740	13,275	3.9	♣
HSBC (75p Shs)	□	738xd	+10	1113	720	6,243	4.0	♣
Lloyds	N□	580xd	—	669	532	7,617	4.7	12.5
Mitsubishi Y		£17½	+⅛	£18⅝	£15⅝	58,370	0.3	–
Mits Tst & Bk Y		968¾	-4	1034¼	687½	12,569	0.5	18.5
Mitsui Tst & Bk Y		724¼	+10¼	811¼	514	8,677	0.7	24.7
Nat Aust A$		561½	-9	620¼	537¼	7,382	4.2	18.7
NatWest	N□	462xd	+6	622	438	7,516	5.1	10.3
Ottomane FFr		928¼	-¼	930	927¼	141.2	5.2	6.8
Ryl Bk Scotland	♣N□	389	+7	536	[illegible]	3,108	3.5	17.6
Sakura Y		£9⅝	+⅛	£9⅞	[illegible]	38,117	0.6	58.7

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

ENGINEERING, VEHICLES - Cont.

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

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INVESTMENT TRUSTS - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

GUIDE TO LONDON SHARE SERVICE

[illegible]

q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
[illegible] official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994.
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for [illegible]
[illegible]
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1225 a year for each security shown, sub[illegible] to the Editor's discretion.

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FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg. Call 071-873 4378 (+44 71 873 [illegible] International) for more information on FT Ci[illegible]

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♣) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH
Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

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Thornton Unit Managers Ltd - Contd.

Waverley Unit Tst Mngmt Ltd (1000)F

Whittingdale Unit Tst Mgmt Ltd (0830)F
2 Honey Lane, London EC2V 8BT

Woolwich Unit Trust Managers Ltd (1700)H
2 Watts Oak Square, Croydon BR5 7AG
StockMarket Fd ... 5 | 70.81 | 73.89 | 84.95 | -3.39 | 1.75

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd
Int'l Exmt Apr 8 ... | 773.1 | 792.3 | ... | 0.95

Baring Investment Mngmt Ltd
155 Bishopsgate, London EC2M 3XY
071-214 1004 (Dealing)

CAF – Charity Money Management
48 Pembury Rd, Tonbridge TN9 2JD 0732 770114
Balanced Growth ... | 74.71 | 77.17 | ...
Income ... | 61.34 | 63.34 | ...

CIS Unit Trust Managers Ltd

For James Capel see HSBC Asset Mngt Europe Ltd

Cent. Bd. of Fin. of Church of England

Abbey National Life Plc
297 St Vincent Street, Glasgow 041 305 8000

Acorn Life Assurance Ltd
The Glanty, Egham, Surrey TW2 9AT 0784 470333

AEGON Life Assurance Co (UK) Ltd
AEGON Hse, Lanark Sq, London E14 9XS 071-538 8000

Century Life Plc

Equitable Life Assurance Society

Hill Samuel Life Assur. Ltd - Contd.

London Life - Contd.

NPI - Contd.

National Mutual Life

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Corporate Pension Funds

Prudential Individual Life Funds

Prudential Individual Pension Funds

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Scottish Amicable

INSURANCES

AA Life

Albany Life Assurance Co Ltd

Allied Dunbar Assurance Plc

Family Assurance Friendly Society Ltd

Lancashire & Yorkshire Assce Society

Legal & General

Lincoln National

M & G Life and M & G Pensions

MGM Assurance Co

Merchant Investors Assurance Co Ltd

N & P Life Assurances Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Prosperity Life Assurance Ltd

Provident Life Assoc Ltd

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Scottish Amicable - Contd.

Scottish Equitable plc

28 St Andrew Sq, Edinburgh 031-556 9101

Sun Alliance Group - Contd.

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

Albany International Assurance Ltd

Royal Skandia Life Assurance Ltd

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

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Lombard Odier - Contd.

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES AND MONEY

MARKETS REPORT

German rates lower

The prospect of a decisive decoupling of US and European interest rates was improved yesterday by another generous cut in the German repo rate, *writes Philip Gawith.*

The Bundesbank cut the repo by 11 basis points to 5.47 per cent, more than most commentators had expected. The dollar failed, however, to gain strength from lower German rates, closing in London at $1.6727 against the D-Mark from $1.6801. It fell to Y102.650 from Y102.925 against the yen.

Afternoon trade was subdued with most US financial markets closed to honour the late President Nixon.

Elsewhere the pound held on to the gains it had made on Tuesday, with the sterling index finishing slightly higher at 80.5 from 80.4. It was half a cent up against the weaker dollar, closing at $1.5066 from $1.5015. Against the D-Mark, it closed slightly weaker at DM2.52 from DM2.5226.

For the second time this month, the UK money markets were witness to the fairly rare spectacle of a daily surplus rather than the normal shortage. The surplus was £100m.

■ The Bundesbank's move appears to confirm that futures markets have become too bearish about the outlook for European interest rates. Mr Nick Parsons, treasury economist at CIBC, said the aggressive rate cut was "signalling that the decoupling of European rates from the US will continue."

Interest rate sentiment has deteriorated dramatically in recent months. Mr Parsons notes that the spread between the March 95 euromark contract and the June 94 contract shrunk from a high of 84 basis points on January 11 to actually become negative earlier this week. Both contracts finished at 94.80 yesterday.

The CIBC analyst said he attributed the Bundesbank's fairly aggressive stance on interest rates to a desire to stop the decline in sentiment. Noting that in each of the last three rate cut cycles, the pace of easing has accelerated after 18 months, Mr Parsons said this pattern is repeating itself.

The Bundesbank's first cut in this cycle was in September 1992. He predicts German three month money, currently at 5.35 per cent, will fall to 4.30 per cent at the year end. The December euromark contract, by contrast, closed at 94.86, discounting short rates of about 5.15 per cent at the end of year.

While the repo rate fell, call money rates rose sharply to about 6 per cent from 5.35/5.45 per cent. Traders said the Bundesbank had not delivered the funds the market had anticipated at the repo.

The D-Mark was slightly firmer in Europe. It closed at FFr3.434 against the French franc from FFr3.432, and L961.5 against the Italian lira from L958.4.

■ Apart from a late flurry of activity, the interest rate futures markets were fairly quiet. Sentiment was improved by the Bundesbank cut, with the June euromark contract finishing six basis points higher at 94.80.

Traders reported that just before trading closed, a US investment bank had placed a huge order for 20,000 June contracts.

Mr Richard Phillips, futures analyst at brokers GNI, said the market was currently characterised by spread-trading, with investors unwilling to take a longer view. Trade is very volatile, but in a fairly small range.

"The nature of the market is such that the investors are simply not there. Everybody who plays the market is a trader. Nobody is prepared to take a directional view," said Mr Phillips.

Short sterling futures also had a better day. Although volumes were fairly thin, the June contract closed three basis points firmer at 94.61. The French market was desciibed as "listless". The June PIBOR future settled four basis points firmer at 94.32.

■ Opinions about the outlook for sterling are mixed after the UK currency maintained its break above $1.50 against the dollar.

Mr Tony Norfield, UK treasury economist at ABN-AMRO, said said he was bullish about sterling. He cited three factors lending support to the pound: the perception that UK rates were unlikely to fall in the near future; the sharp cut from the Bundesbank; and scepticism about how fast the Fed will tighten rates in the US.

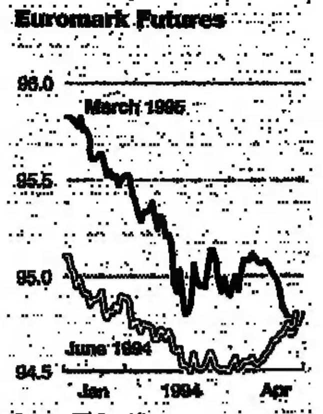
"The fundamental buoyancy for sterling is also backed up in a lot of exchange rate charts," said Mr Norfield. He predicted that the UK currency was "reasonably well set up" for a 1 per cent increase in the next few days.

Others were more sceptical, arguing that sterling strength would evaporate as soon as the dollar recovered. Mr Neil MacKinnon, chief currency strategist at Citibank doubts whether sterling can rise above its high for the year of DM2.6250.

He attributed current sterling strength to the view in the money markets that "any chance of an early rate cut is slim, to say the least." He said the CBI dropping its call for lower rates was also seen as an important event.

The surplus in the money markets was attributed to seasonal factors which see more money flowing in at this time of year. Overnight rates moved in the 1⅛ - 4¾ per cent range.

Euromark Futures



Source: FT Graphite

■ **Pound in New York**

Apr 27	Latest	Prev. close
£ spot	1.5060	1.5055
1 mth	1.5044	1.5040
3 mth	1.5025	1.5020
1 yr	1.4976	1.4971

■ **OTHER CURRENCIES**

Apr 27	£	$
Hungary	154.258 - 154.542	102.456 - 102.550
Iran	2605.00 - 2611.00	1748.00 - 1750.00
Kuwait	0.4467 - 0.4482	0.2968 - 0.2974
Poland	33465.5 - 33530.7	22220.0 - 22250.0
Russia	2737.49 - 2742.01	1817.00 - 1820.00
U.A.E.	5.5215 - 5.5336	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

EMS EUROPEAN CURRENCY UNIT RATES

WORLD INTEREST RATES

MONEY RATES

EURO CURRENCY INTEREST RATES

UK INTEREST RATES

LONDON MONEY RATES

BASE LENDING RATES

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

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WORLD STOCK MARKETS

EUROPE

AUSTRIA (Apr 27 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Apr 27 / Frs.)

[illegible]

DENMARK (Apr 27 / Kr)

[illegible]

FINLAND (Apr 27 / Mkk)

[illegible]

FRANCE (Apr 27 / Frs.)

[illegible]

GERMANY (Apr 27 / Dm.)

[illegible]

ITALY (Apr 27 / Lire)

[illegible]

NETHERLANDS (Apr 27 / Fls.)

[illegible]

NORWAY (Apr 27 / Kroner)

[illegible]

SPAIN (Apr 27 / Pts.)

[illegible]

SWEDEN (Apr 27 / Kronor)

[illegible]

SWITZERLAND (Apr 27 / Frs.)

[illegible]

PACIFIC

JAPAN (Apr 27 / Yen)

[illegible]

AUSTRALIA (Apr 27 / Aust$)

[illegible]

HONG KONG (Apr 27 / H K $)

[illegible]

MALAYSIA (Apr 27 / MYR)

[illegible]

SINGAPORE (Apr 27 / S$)

[illegible]

NORTH AMERICA

CANADA

TORONTO (Apr 27 / Can $)

4 pm close

[illegible]

MONTREAL (Apr 27 / Can $)

4 pm close

[illegible]

AFRICA

SOUTH AFRICA (Apr 26 / Rand)

[illegible]

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. High/Lows are for 1994, except Toronto & Montreal [illegible]. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Wednesday, April 27, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Sumitomo Coal	9.0m	993	+38	Sanyo Steel	2.8m	440	+6
Pacific Metals	5.9m	455	-15	M'bishi Heavy	2.3m	696	+17
Nippon Denko	3.7m	473	-1	Itochu Corp	2.2m	701	+5
Hitachi	3.1m	966	+10	Brother Inds	2.2m	632	+4
Mitsubishi Est	3.1m	1160	+20	Kobe Steel	2.1m	288	+3

INDICES

[illegible]

Italy							
Banca Comm Ital (1972)	613.63	601.59	(c)	613.63 27/4	589.85 10/1		
MIB General (4/1/94)	1312.0	1293.0	(c)	1312.00 27/4	944.09 10/1		
Japan							
Nikkei 225 (16/5/49)	19729.15	19829.93	19709.14	20677.77 15/3	17369.74 4/1		
Nikkei 300 (1/10/82)	292.70	292.13	293.32	304.25 1/3	269.22 4/1		
Topix (4/1/68)	1601.51	1597.92	1604.43	1653.27 16/3	1445.97 4/1		
2nd Section (4/1/68)	2272.29	2270.30	2280.48	2280.82 22/4	1979.33 4/1		
Malaysia							
KLSE Comp.(4/4/86)	1053.39	1053.47	1058.52	1314.46 5/1	928.33 4/4		

** Sat Apr 23: Taiwan Weighted Price 5837.33; Korea Comp Ex 892.73. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. † IBIS/DAX after-hours index: Apr 27 - 2256.88 +15.62

US INDICES

[illegible]

Industrials♥	525.44	525.52	519.00	[illegible] (2/2)	510.05 (21/4)	[illegible] (2/2/94)	3.62 (21/6/32)
Financial	43.53	43.82	43.60	[illegible] (31/1)	41.39 (4/4)	[illegible] (20/9/93)	8.64 (1/10/74)
NYSE Comp.	250.41	250.47	247.85	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	438.20	435.97	435.31	487.89 (2/2)	427.60 (20/4)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Comp	734.21	730.80	722.56	803.93 (18/3)	705.51 (20/4)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Apr 22	Apr 15	Apr 8	Year ago
Dow Jones Ind. Div. Yield	2.79	2.77	2.78	3.01
	Apr 20	Apr 13	Apr 6	Year ago
S & P Ind. Div. yield	2.55	2.51	2.48	2.57
S & P Ind. P/E ratio	23.24	23.67	23.87	29.48

■ STANDARD & POORS 500 INDEX FUTURES $500 times index Apr 28

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Jun	452.00	451.75	-0.40	453.10	450.50	60,097	190,313
Sep	454.10	453.80	-0.35	454.70	452.75	333	9,138
Dec	458.10	456.35	-0.40	457.10	455.40	71	5,644

Open interest figures are for previous day.

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Apr	2143.0	2144.0	+14.0	2154.0	2143.0	25,525	14,050
May	2141.5	2142.5	+14.0	2152.0	2141.5	7,478	11,904
Jun	2125.0	2128.5	+14.5	2136.0	2125.0	1,915	28,070

Open interest figures for previous day.

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
RJR Nabisco	10,954,400	7	+⅛
Telefonos	5,473,700	58¾	+1¾
K Mart	4,116,000	16¾	-⅛
Philip Morris	3,619,300	54⅜	+2
Merck	2,667,000	30¾	-⅛
Motorola	2,577,900	45⅞	-⅛
AirTouch	2,548,500	23⅝	+¾
Unisys	2,518,300	11⅛	-⅛
IBM	2,218,200	58⅝	-⅛
UNUM	1,929,500	50¼	-4⅛

■ TRADING ACTIVITY

● Volume (million)

	Apr 26	Apr 25	Apr 22
New York SE	287.981	282.241	290.843
Amex	16.184	11.525	16.284
NASDAQ	285.543	238.280	319.540
NYSE			
Issues Traded	2,785	2,778	2,776
Rises	1,258	1,535	1,279
Falls	918	651	911
Unchanged	609	592	586
New Highs	36	24	15
New Lows	62	82	84

† Corrected low for 19/4: 3597.15. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♣ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

FINANCIAL TIMES
Thursday April 28 1994

EUROPE

Milan remains at eight year high

Milan's continued on its record setting way and the rest of Europe took encouragement, in spite of Wall Street's unscheduled closure, from an easing in the German repo rate, *writes Our Markets Staff.*

MILAN saw some profit taking late in the day as the appointment of Mr Silvio Berlusconi as prime minister was expected imminently. The Comit index registered a rise 11.65 to another eight year high of 813.63.

Mr Marcus Grubb at Salomon Brothers remained enthusiastic for the market, even at current heady valuations. He noted that it had underperformed other European markets over the past four years and its valuation in comparison with bonds was still cheap. "I think that the market could still go higher. If political uncertainties caused a correction of, say, 10 per cent, I would view that as a further buying opportunity," he said.

Speculative selling hurt the biggest recent gainers. Olivetti fell L67 to L2,999 in heavy volume of 23.6m shares in largely technical trade after its strong advance through resistance at L2,900 on Tuesday. The shares peaked at L3,140 yesterday, well short of the next resistance target of L3,500, before sellers moved in.

Cir, the group's industrial holding company rose L64 to L2,890 amid renewed rumours of a merger with Cofide, the ultimate holding company for the De Benedetti family's interests. Cofide rose L79 to L1,837.

FRANKFURT was encouraged on a number of fronts: a reduction by the Bundesbank in the repo rate, ahead of today's meeting of the council, further good figures from the chemical sector, Bayer being the latest group to announce results, and a boost for Daimler from its Mercedes unit forecasting an improvement in 1994 sales.

Wall Street was closed for the funeral of former President Richard Nixon. Johannesburg did not trade yesterday and will remain closed today during voting in the general election.

The Dax index closed the official session up 10.37 at 2,253.57.

There was also help from the futures market and in the after market the Ibis indicated index improved further to 2,256.

Daimler added DM7.30 to DM889 while Bayer, which forecast that profits would rise by 15 to 20 per cent this year gained DM8.80.

In contrast Volkswagen lost DM14.30 to DM524.50 on news of further investigations involving Mr Jose Ignacio Lopez Arriortua.

AMSTERDAM failed to hold onto Tuesday's gains and the AEX index declined 1.10 to 417.32, mainly due to selling of financial stocks. ING, for example, lost Fl 1.30 to Fl 240.10.

The market overall was particularly affected by Akzo Nobel trading ex a dividend of Fl 5.00, the shares losing Fl 3.70 to Fl 223.20. In contrast DSM added Fl 1.20 to Fl 138.90.

Heineken, off 90 cents at Fl 240.10, said that it was to take legal action against unions following strikes at its domestic plants which have hit production.

PARIS was encouraged by hopes of a cut in domestic interest rates today and the CAC-40 index advanced 16.41 to 2,147.32. Eurotunnel was up FFr1.75 to FFr43.20 after its announcement that it was to raise some £650m in senior bank debt as part of its refinancing package.

ZURICH continued firmer, in quiet trade, with direction again provided by stronger bond futures and firmer bourses elsewhere in Europe. The SMI index rose 15.1 to 2,791.3.

Insurers were again the strongest sector as they catch up after recent underperformance. Zurich bearers rose SFr30 to SFr 1,282.

Nestlé was unchanged at SFr1,210, with investors unimpressed with the outcome of its press conference. The group announced volume growth, a measure of the absolute number of goods sold, rose by 1.5 to 1.7 per cent in the first quarter, compared with expectations of a rise of 2 per cent or more.

MADRID saw gains across the board, in response to foreign market trends and the German repo rate cut, which took the general index 3.32 or 1 per cent higher to 325.38 in heavy turnover of Pta3.13bn.

Banesto rose Pta100 or 15 per cent to Pta580 and Santander recovered Pta100 to Pta5,810.

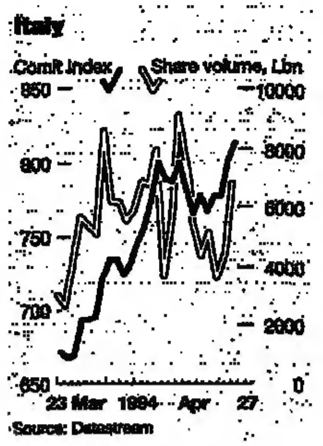
James Capel commented that having got over the initial shock of the successful bid of Pta762 per share for 60 per cent of Banesto and having received timely presentations from Santander on the rationale for the offer, the market has made the appropriate adjustment to the Santander share price. From this level, the shares have every chance of performing at least as well as any other Spanish bank stock on a one year view.

FT-SE Actuaries Share Indices

Apr 27								THE EUROPEAN SERIES
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1471.29	1472.23	1472.15	1472.81	1471.95	1473.06	1470.97	1471.03
FT-SE Eurotrack 200	1489.01	1489.83	1490.58	1490.80	1491.47	1492.59	1490.71	1490.74

	Apr 26	Apr 25	Apr 22	Apr 21	Apr 20
FT-SE Eurotrack 100	1464.12	1449.13	1456.24	1438.73	1444.73
FT-SE Eurotrack 200	1480.81	1467.22	1476.62	1458.95	1465.17

Base 1000 (26/10/90): High/day: 100 - 1473.21; 200 - 1493.81 Low/day: 100 - 1470.39 200 - 1488.71



Source: Datastream

Written and edited by John Pitt and Michael Morgan

ASIA PACIFIC

Nikkei up in low volume, Hang Seng down

Tokyo

Most investors were absent ahead of the Golden Week holidays, but buying by financial institutions and investment trust funds helped stocks post modest gains, *writes Emiko Terazono in Tokyo.*

The Nikkei index rose 100.22 to 19,729.15 after a low of 19,612.82 and a high of 19,813.86 just before the close. Volume was 210m shares, the lowest for the year as many investors refrained from activity due to the string of holidays which start on Friday, and uncertainty over domestic politics and currency movements.

Small lot buying amid low volume pushed share prices higher along with a rise in futures prices. The Topix index of all first section stocks rose 3.59 to 1,601.51 while the Nikkei 300 gained 0.57 to 292.70. Gainers led losers by 514 to 457, with 193 issues remaining unchanged. In London, the ISE/Nikkei 50 index rose 1.98 to 1,307.83.

Individual investors were seen trading speculative shares. Some traders see the moves connected to the political unrest as the possibility of an early election has increased due to the Socialist Democratic party's departure from the coalition government earlier this week.

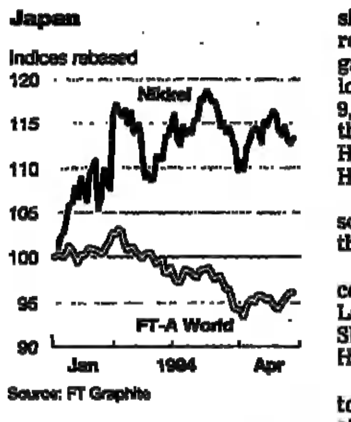
Sumitomo Coal Mining, the most active issue of the day, rose Y38 to Y993 on speculative trading. Pacific Metals, which fell Y15 to Y455, was initially higher on early buying by individual investors, but closed lower on profit taking.

Remarks by the chairman of the Japan Iron and Steel Federation that steel demand was bottoming out, supported steel stocks. Sanyo Special Steel rose Y8 to Y440 and Kobe Steel advanced Y3 to Y288.

Nippon Telegraph and Telephone, a benchmark for investor confidence, fell Y1,000 to Y885,000.

In Osaka, the OSE average rose 44.79 to 21,957.33 in volume of 14.2m shares. Nintendo rose Y60 to Y6,620 on bargain hunting.

Japan



Source: FT Graphite

Roundup

Profit-taking left a number of regional markets lower.

HONG KONG finished sharply lower, unable to find reasons to extend Tuesday's gains. The Hang Seng index lost 215.39 or 2.31 per cent, at 9,113.25, just above its low for the day. Turnover was a light HK$2.98bn against Tuesday's HK$4.06bn.

Property issues were squeezed by profit-taking after they led Tuesday's rise.

Cheung Kong slipped 75 cents to HK$37, Henderson Land lost HK$1 to HK$39 and SHK Properties fell HK$1.50 to HK$47.75.

MANILA fell back as investors paused to take profits after three days of gains. The composite index fell 26.61 at 2,840.98, prompting expectations that the correction will last for another two days before the market tries to break through resistance at the 2,900 level.

AUSTRALIA was left lower by one arbitrage-related transaction worth about A$390m and bonds also finished weaker.

The All Ordinaries index closed 9.7 down at 2,059.7 after climbing to a high of 2,083.2 early in the session.

Among leading stocks, News Corp ended 4 cents higher at A$9.29 but BHP slipped 8 cents to A$16.84, off a high of A$17.14.

SINGAPORE continued to give way to profit-taking ahead of today's closure of Wall Street and the release of the US first quarter gross domestic product figures tomorrow.

The Straits Times Industrials index closed 23.56 or 1 per cent lower at 2,290.71.

TAIWAN picked up after Tuesday's fall as buyers returned for plastics and papers issues. The weighted index, still unable to break out of the 5,800-6,000 range, rose 31.82 to 5,882.98, off a low of 5,805 points, in turnover that fell to T$63.1bn from the previous T$89.9bn.

China Airlines fell T$2.00 to T$54.50 after Tuesday's crash of a CAL airliner in Nagoya, Japan.

SEOUL was helped higher as demand switched from low priced issues to blue chips during the afternoon and the the composite stock index closed 9.79 or 1.1 per cent higher at 897.43. The market also heard rumours that the government was close to a decision to ease regulations on stock transactions, although the finance ministry officials said nothing has been decided and no announcement was due in the near future.

BANGKOK built its hopes for improved first quarter results from listed companies and the SET index rose 10.92 or 0.9 per cent to 1,274.71 in thin trading.

KUALA LUMPUR remained weak on profit-taking but gains in blue-chips limited the fall in the composite index to just 0.12 at 1,053.35.

BOMBAY dipped in sluggish trading which left the BSE 30-share index ended 27.44 lower at 3,753.08.

JAKARTA was firmer in active trading on local and foreign buying of blue chip stocks, and the official index rose 7.38 to 641.70.

NEW ZEALAND saw higher prices for a number of mid-tier stocks which lifted the NZSE-40 capital 11.17 to 2141.35.

Lion Nathan added 8 cents to NZ$3.68 in response to half year profits that were at the top end of expectations and a higher dividend.

KARACHI's 100-share index fell 47.20 or 2 per cent to 2,361.40 on heavy selling by retail investors seeing uncertainty oin the political outlook.

Toronto marks time in the absence of Wall Street

Canada

In the absence of Wall Street Toronto stocks edged higher led by gains in the precious metals, real estate and mining sectors.

Dealers said that the market would continue to focus on results from the current first quarter earnings period.

The TSE 300 index was up 5.99 at 4,269.79 by mid morning on volume of 4.3m shares valued at C$46.5m. Advances led declines 133 to 92, with 168 stocks unchanged.

Of Toronto's 14 sub-groups, 10 indices gained ground in early trading.

The gold and silver index climbed 62.32 or 0.67 per cent, to 9,328.62. Strong gold stocks were led by Placer Dome, up C$⅜ to C$28⅛ in light volume.

Other rising sectors included mining, up 24.93 to 3,487.64, and real estate which rose 20.67 to 3,046.21.

Among active stocks, Northern Telecom extended Tuesday's gains after posting an unexpected first quarter profit. The stock gained C$⅜ to C$41⅜ on 27,500 shares.

Venezuela

Venezuelan equities fell back following the resignation on Tuesday of the president of the central bank over a disagreement regarding the government's economic policies. President Ruth de Krivoy said her decision was "irrevocable". The bank said that three other directors had also resigned.

On Tuesday the general index lost 0.5 per cent.

Brazil

Equities in São Paulo recovered from earlier lows, but remained down at mid-morning in thin trade as the market awaited news on whether congress would vote on anti-inflation legislation. The Bovespa index was off 1.4 per cent at 15,618 in thin volume of CR52bn ($42m).

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY APRIL 26 1994								MONDAY APRIL 25 1994					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (69)	169.27	1.8	167.14	110.13	147.85	156.38	1.4	3.49	166.26	165.25	108.48	145.16	154.19	189.15	130.19	142.69
Austria (17)	174.51	0.4	172.31	113.53	152.42	152.33	0.4	1.02	173.77	172.73	113.38	151.72	151.76	195.41	138.63	144.70
Belgium (42)	169.06	0.4	166.93	109.99	147.67	144.29	0.4	3.79	168.36	167.35	109.86	147.00	143.66	171.69	141.92	152.28
Canada (106)	130.29	1.0	128.65	84.77	113.80	129.67	0.6	2.59	129.03	128.25	84.19	112.65	129.09	145.31	121.46	125.21
Denmark (32)	255.67	1.2	252.45	166.34	223.31	229.73	1.3	1.04	252.67	251.15	164.87	220.61	226.72	275.79	207.58	217.25
Finland (22)	148.46	1.4	146.59	96.59	129.67	169.89	1.1	0.88	146.47	145.59	95.57	127.89	168.07	156.72	85.54	94.31
France (98)	171.51	0.7	169.35	111.58	149.80	155.17	0.6	2.86	170.40	169.37	111.19	148.78	154.19	185.37	149.60	161.78
Germany (58)	143.12	1.8	141.32	93.12	125.01	125.01	1.8	1.64	140.66	139.82	91.78	122.81	122.81	143.12	107.59	116.67
Hong Kong (55)	381.64	2.1	376.84	248.30	333.35	378.54	2.1	2.81	373.74	371.50	243.87	326.32	370.75	508.56	271.42	274.73
Ireland (14)	190.45	0.5	188.05	123.91	166.35	184.27	0.2	3.27	189.58	188.45	123.70	165.53	183.97	209.33	155.93	165.60
Italy (60)	95.50	3.8	94.30	62.13	83.42	114.87	3.9	1.51	92.01	91.46	60.04	80.34	110.56	95.50	57.88	70.41
Japan (469)	155.10	–0.1	153.15	100.91	135.47	100.91	–0.4	0.80	155.28	154.35	101.32	135.58	101.32	165.91	124.54	139.01
Malaysia (98)	493.42	–0.9	487.21	321.02	430.98	511.85	–0.8	1.33	497.63	494.65	324.64	434.67	515.90	621.55	312.05	312.46
Mexico (18)	1905.38	–0.2	1881.37	1239.64	1664.22	6958.02	–0.8	0.72	1909.38	1897.90	1245.87	1667.07	7013.38	2647.06	1431.17	1592.90
Netherland (26)	204.09	0.9	201.52	132.78	178.27	175.93	0.9	3.19	202.26	201.04	131.97	176.60	174.33	207.43	163.30	172.17
New Zealand (14)	67.12	2.3	66.27	43.67	58.62	62.07	2.1	3.83	65.63	65.23	42.82	57.30	60.79	77.59	48.43	48.45
Norway (23)	195.58	0.4	193.12	127.24	170.83	193.79	0.5	1.71	194.74	193.57	127.07	170.03	192.89	205.42	150.61	160.65
Singapore (44)	348.10	0.0	343.72	226.48	304.05	249.52	–0.1	1.57	348.12	346.03	227.15	303.95	249.76	378.82	238.62	241.30
South Africa (59)	262.92	8.5	259.61	171.06	229.65	269.91	4.0	2.28	242.36	240.90	158.14	211.60	259.30	280.26	175.93	182.65
Spain (42)	141.80	0.9	140.01	92.25	123.85	147.44	1.2	4.04	140.47	139.62	91.65	122.64	145.72	165.79	116.33	132.82
Sweden (36)	215.13	0.8	212.42	139.97	187.91	249.93	0.7	1.59	213.32	212.04	139.19	186.25	248.19	230.02	163.85	174.65
Switzerland (48)	159.12	0.5	157.11	103.52	138.98	141.48	0.7	1.68	158.33	157.38	103.31	138.24	140.53	176.56	119.83	121.58
United Kingdom (205)	192.82	1.2	190.39	125.45	168.42	190.39	0.6	3.66	190.47	189.33	124.29	166.31	189.33	214.96	170.32	181.99
USA (519)	184.15	–0.1	181.83	119.81	160.84	184.15	–0.1	2.89	184.43	183.32	120.34	161.03	184.48	196.04	176.91	176.91
EUROPE (723)	169.89	1.2	167.75	110.53	148.39	160.66	1.0	2.88	167.81	166.80	109.60	146.51	159.24	178.58	141.58	149.03
Nordic (113)	207.45	1.0	204.84	134.97	181.19	210.17	0.9	1.37	205.45	204.22	134.06	179.38	208.33	220.60	155.82	165.11
Pacific Basin (750)	163.97	0.1	161.90	106.68	143.22	111.35	–0.2	1.06	163.82	162.84	106.90	143.04	111.54	168.80	134.79	143.19
Euro-Pacific (1473)	166.28	0.6	164.18	108.18	145.23	130.66	0.3	1.84	165.33	164.34	107.88	144.35	130.23	170.78	141.98	145.46
North America (625)	180.80	–0.1	178.53	117.63	157.92	180.39	–0.1	2.88	181.00	179.91	118.10	158.03	180.61	192.73	173.70	173.70
Europe Ex. UK (518)	153.62	1.2	151.68	99.95	134.18	142.22	1.3	2.27	151.73	150.82	99.00	132.49	140.40	155.73	122.37	128.68
Pacific Ex. Japan (281)	250.48	1.2	247.33	162.96	218.78	228.53	1.1	2.60	247.53	246.05	161.52	216.13	226.08	295.21	181.46	184.45
World Ex. US (1656)	167.23	0.7	165.13	108.80	146.07	133.77	0.4	1.86	166.07	165.07	108.36	145.00	133.26	172.51	142.94	146.03
World Ex. UK (1970)	169.81	0.3	167.67	110.48	148.32	145.56	0.1	2.05	169.29	168.28	110.46	147.81	145.36	175.58	152.67	152.67
World Ex. So. Af. (2116)	171.30	0.3	169.14	111.45	149.62	148.67	0.1	2.22	170.77	169.74	111.43	149.10	148.45	178.56	155.00	155.34
World Ex. Japan (1706)	182.74	0.6	180.43	118.89	159.61	176.05	0.4	2.82	181.63	180.53	118.51	158.58	177.26	195.20	165.70	165.88
The World Index (2175)	171.65	0.4	169.68	111.80	150.10	149.59	0.2	2.22	171.17	170.14	111.69	149.45	149.31	178.97	155.17	156.41

Latest prices were unavailable for this edition.

Fundamentals in place in spite of setback

John Pitt surveys trends among emerging markets

The tightening of US monetary policy has made its effect felt on the world's emerging markets this year. After impressive gains in many of the markets throughout 1993 a reversal of fortune has been witnessed during the last quarter.

According to Baring Securities' April issue of Global Strategy, emerging equity markets attracted some $40.5bn during 1993 (this figure excludes Hong Kong and Singapore), with most of that originating from *the US. Looking at the regional* division of the fund flow reveals that almost 50 per cent went to Latin America, with some 45 per cent going to the Pacific Rim. Surprisingly only $2bn or 5 per cent was directed towards Eastern Europe, the Middle East and Africa, suggesting caution on the part of investors from western Europe.

In spite of recent setbacks, Barings asserts that "stronger economic fundamentals of emerging markets should reassert themselves by the second half of 1994". Dividing the markets into three groups – export-led (north east and south east Asia), resource producing (Latin America) and consumer-orientated (eastern and southern Europe and Indian sub-continent) – Barings suggests that external factors, higher commodity prices and faster world trade growth, "will ultimately raise the liquidity of the first two emerging market groups, and of these it is the resource producing that stand to enjoy the greater profit gains, given their higher fixed cost structures".

But, they add, while such external influences remain weak, outperformance should be seen from, in particular, India, Brazil and "the reforming eastern European and southern European markets".

Brazil was, according to research from Kleiman International in Washington, one of the first quarters best performers in dollar terms. "Foreign investors placed some $5.5bn into the country in 1993, five times the 1992 figure, 80 per cent into stocks and the rest in debentures and bank deposits," says Kleiman.

Over the last week or so the equity market has corrected sharply, although clawing back slightly this week, in reaction to the rise in US interest rates.

The longer term picture is clouded by congressional and presidential elections in October, and efforts by the present administration to secure support for its constitutional reform programme.

Looking elsewhere, the case for Africa is being made by a number of brokers and analysts, not the least Blakeney Management in London.

Aside from South Africa, which is hardly an emerging market, the sub-Saharan countries are likely to benefit from higher commodity prices. According to Blakeney, "higher prices for copper, gold, coffee, cocoa, phosphates, platinum, nickel and other commodities will bring prosperity to Africa, while the "dragons" struggle to protect their processing margin".

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms: Apr 22 1994	% Change over week	% Change on Dec '93	Local currency terms: Apr 22 1994	% Change over week	% Change on Dec '93
Latin America	(210)	572.80	-2.9	-12.0	–	–	–
Argentina	(25)	644.79	-1.7	-15.0	518,366.75	-1.7	-15.0
Brazil	(57)	234.35	-10.3	+0.7	380,047,690.3	-3.2	+274.6
Chile	(25)	590.74	-0.6	+7.1	1,004.96	+0.0	+5.4
Colombia[1]	(11)	860.50	-6.0	+33.5	1,271.51	-5.3	+37.2
Mexico	(89)	806.92	+0.4	-19.4	1,172.16	+0.5	-12.8
Peru[2]	(11)	128.26	-3.9	+6.1	170.59	-4.1	+7.3
Venezuela[3]	(12)	652.62	-3.0	+10.3	1,729.81	-3.0	+21.7
Asia	(558)	243.35	+1.5	-16.4			
China[4]	(18)	95.76	-5.2	-35.8	105.16	-5.3	-33.9
South Korea[5]	(156)	121.17	+0.3	+2.5	128.58	+0.1	+2.4
Philippines	(18)	266.23	+1.9	-21.8	350.47	+1.8	-21.1
Taiwan, China[6]	(90)	131.31	+4.8	-2.9	130.09	+4.8	-2.8
India[7]	(76)	125.93	-2.8	+6.1	139.26	-2.8	+6.1
Indonesia[8]	(37)	94.14	-2.3	-24.5	110.33	-2.3	-22.5
Malaysia	(105)	273.06	+2.3	-19.5	271.07	+2.4	-19.6
Pakistan[9]	(15)	404.04	+0.1	+4.1	558.72	+0.1	+5.8
Sri Lanka[10]	(5)	202.54	+3.9	+14.5	216.18	+3.9	+13.2
Thailand	(55)	363.57	+0.6	-23.8	364.95	+0.4	-24.5
Euro/Mid East	(125)	111.10	-2.0	-34.4			
Greece	(25)	239.69	+0.7	+5.3	401.93	-0.7	+4.5
Hungary[11]	(5)	210.80	-0.9	+26.5	261.56	-1.4	+29.9
Jordan	(13)	163.91	-0.5	-1.0	238.05	-0.7	-0.6
Poland[12]	(12)	794.82	+28.6	-2.8	1,129.46	+28.5	+2.2
Portugal	(25)	128.02	-1.1	+12.5	152.27	-2.2	+10.2
Turkey[13]	(40)	87.86	-9.1	-58.7	1,266.39	-20.7	-12.9
Zimbabwe[14]	(5)	266.40	+16.1	+31.8	319.76	+15.3	+49.7
Composite	(892)	299.94	-0.9	-15.7			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: [illegible] except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; [illegible] Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Aug 4 1989; (14)July 2 1993.